

14 April 2026

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001
Submitted online

Dear QCA

Review of RAB-based irrigation prices 2027–29

Thank you for the opportunity to provide a submission on the Queensland Competition Authority (QCA) Review of RAB-based irrigation prices 2027–29 as elaborated in its consultation paper released on 2 March 2026.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since its inception in 1925.

CANEGROWERS is the peak body for the sugarcane industry. Our affiliations at the State, National and International level combined with 13 district offices in Queensland ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making.

CANEGROWERS makes this submission on behalf of our sugarcane grower members in Queensland who are customers of Sunwater irrigation schemes, including major cane-growing regions such as Burdekin, Mackay and Bundaberg. CANEGROWERS also supports and endorses the submission made by Queensland Farmers Federation (QFF)

CANEGROWERS opposes transition from the current renewals annuity approach to a Regulated Asset Base (RAB) approach for Sunwater irrigation pricing for 2027–28 and 2028–29. The renewals annuity remains the more appropriate framework because it better protects affordability, provides greater price stability, aligns more closely with lower-bound pricing principles, and more fairly shares renewal costs across generations of irrigators.

The QCA has already stated that, while it supports an appropriately designed RAB approach in principle, Sunwater's earlier proposal was not sufficiently robust or well developed to justify an immediate transition. The QCA said Sunwater would need to demonstrate that it had completed an independent review of renewals expenditure classification, put in place business-as-usual classification processes, and comprehensively assessed transition impacts in consultation with customers. In the meantime, the QCA continued to apply the renewals annuity approach.

CANEGROWERS submits that this remains the correct position.

1. Affordability and price stability should weigh heavily against a move to RAB

Growers are deeply concerned about water affordability. The QCA has previously recognised stakeholder concerns about affordability and noted that government pricing decisions have been influenced by broader economic conditions and the ability of customers to withstand price increases.

The workshop evidence from cane growing regions also points in the same direction. In Burdekin-Haughton and Mackay, stakeholders were concerned that prices may be more volatile under a RAB approach because of the lumpiness of capex. In Bundaberg, stakeholders were concerned that RAB could produce an initial reduction followed by higher prices later. Mackay stakeholders also said that the full cost of supplying water was becoming unaffordable.

CANEGROWERS submits that irrigation pricing for growers should favour stability and predictability. The renewals annuity does this better than RAB.

2. The renewals annuity better reflects intergenerational fairness

A core reason growers support the annuity approach is that it operates as a sinking fund that allows each generation of irrigators to contribute toward future renewals. Stakeholders in Burdekin-Haughton and Mackay told the QCA that they were willing to bear forecast uncertainty under the annuity because it ensured they contributed their fair share to asset renewals. Burdekin-Haughton stakeholders also regarded positive annuity balances as evidence that the approach was working and that the renewals program had been subject to appropriate scrutiny.

Concerns are common amongst the customer base that the RAB proposal would favour the current generation by charging less now while burdening future generations with significantly higher costs and prices. That is not a fair outcome for younger growers or future family businesses.

3. RAB moves irrigation pricing away from lower-bound principles

Queensland irrigation pricing has historically used the renewals annuity approach and accepted amongst sugar cane growers as reasonably aligned with lower-bound pricing principles. Concerns over the application of a return on capital (charged through a WACC) and tax equivalence, as well as potentially higher recoverable costs would lead to higher prices in the long term.

This is a major concern for irrigators. Water pricing for irrigation in Queensland has never been understood by growers as a framework designed to generate profit-like returns on the asset base. Mackay stakeholders told the QCA that their schemes were built for community benefit and were not intended to generate profits. Stakeholders in Bundaberg and Burdekin-Haughton also said cost of debt would be more appropriate than a full return on capital for government-owned irrigation businesses.

These concerns point to a potential move away from lower-bound principle and CANEGROWERS submits that moving to RAB would shift irrigation pricing in the wrong direction.

4. The transition risks remain unresolved

The practical problems of transition are not minor details. The QCA guidance paper makes clear that the review must consider appropriate categorisation of expenditure, the setting of initial RAB values, and how transition impacts are managed. It also states that positive and negative annuity balances would need to be dealt with explicitly if a RAB is adopted.

Sunwater is proposing to classify a high proportion of renewals expenditure as capex under its interim capitalisation approach. This aspect requires scrutiny, because it will have direct implications for customer prices. Growers in Burdekin-Haughton questioned how large negative annuity balances had arisen. Stakeholders also raised concerns that Sunwater may be capitalising too much of the renewals program, and that some expenditure should remain in opex.

CANEGROWERS submits that a methodology change should not proceed while these issues remain contested.

5. Trust, transparency and planning

Bundaberg stakeholders told the QCA that the differences between RAB and annuity had not been explained in a way that was easy to understand. Mackay stakeholders said Sunwater had not provided sufficient information to support informed feedback. Bundaberg stakeholders also said they valued the annual service and performance plan process and the long-term planning associated with the renewals annuity and were concerned that this transparency may not continue under a RAB approach. In its 2025 final report, the QCA said Sunwater's customer engagement had improved, but it still had concerns about the limited information provided on technical issues such as the RAB proposal.

Given the existing trust deficit, CANEGROWERS submits that the QCA should be cautious about supporting a new pricing method that is more complex and more dependent on technical judgments which may be contentious and disputed further eroding trust.

Conclusion

CANEGROWERS respectfully submits that the QCA should recommend retention of the renewals annuity approach for Sunwater irrigation prices for 2027–28 and 2028–29.

The current evidence does not support a transition to RAB. The QCA has already found that Sunwater's RAB approach was not sufficiently robust for immediate adoption. Stakeholders in cane-growing regions have raised clear concerns about affordability, price volatility, transparency, capitalisation, and over-investment incentives.

If the Authority nevertheless decides that a RAB pathway should remain under consideration for the future, CANEGROWERS submits that this should only occur after much stronger safeguards are in place, including strict capital-versus-maintenance classification rules, retained long-term renewals forecasting, transparent annual reporting, and firm constraints on RAB growth.



Suite 701, Level 7
201 Charlotte Street
T 07 3864 6444
GPO Box 1032 BRISBANE Qld 4001

Queensland Cane Growers Organisation Ltd
ABN 94 089 992 969

Please do not hesitate to contact Chris Gillitt, Farm Business Resilience Project Manager,
chris_gillitt@canegrowers.com.au if you require any further information in relation to this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Galligan'.

Dan Galligan
Chief Executive Officer