



# Burdekin Shire Council

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Enquiries to: Mr. Graham Webb

Your Ref: N/A

Our Ref: 1/7/8D GJW:CK

Letter No: 297434

15<sup>th</sup> March 2002

Mr. Rick Stankiewicz,  
Director,  
Queensland Competition Authority,  
G.P.O. Box 2257,  
BRISBANE. Q.4001

ATTENTION: Mr. Jim Binney

Dear Sir,

## **Re: Burdekin Haughton Water Supply Scheme: Assessment of Pricing Matters**

I refer to your letter dated 31<sup>st</sup> January 2002 advising that the Premier and Treasurer have directed the Queensland Competition Authority to assess certain matters relating to gazetted prices for channel and river irrigators receiving water infrastructure services provided by SunWater within the Burdekin Haughton Water Supply Scheme.

The Council notes the key issues the Authority is required to address and the Council's response will be limited to two of the key issues –

- Whether the current price paths incorporate any excess return on capital based in the price of providing water infrastructure services; and
- Under what circumstances it would be appropriate for an entity to charge a positive rate of return on the scheme's assets.

### Introduction

- Burdekin Shire Council as the representative voice of the Burdekin community has historically supported moves by BRIA Irrigators for fair and equitable irrigation charges in the Burdekin River Irrigation Area (BRIA).
- The Mayor Cr. Woods and the writer were part of a community group which made representations to Cabinet Ministers on the occasion of Community Consultations on Sunday, 15<sup>th</sup> July 2001 and the Community Cabinet Meeting on Monday, 16<sup>th</sup> July 2001 hosted by Burdekin Shire Council.
- In the knowledge that the Honourable Peter Beattie, Premier, had provided an undertaking that he would become personally involved, in conjunction with relevant Ministers, in addressing and resolving this major issue, the Mayor Cr. Woods corresponded with the

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Premier (letter 3<sup>rd</sup> October 2001) urging him to refer the matter to the Australian Competition and Consumer Commission or the Queensland Competition Authority for investigation.

- Council is pleased that all parties have accepted that your Authority is the appropriate body to investigate and resolve this matter noting that your final report will be completed by 30<sup>th</sup> September 2002.

#### The Burdekin Irrigators Submission and the Issue of Outstanding Water Bill Repayments to SunWater

- In dealings between Council and Burdekin Irrigators and also from newspaper reports, the Burdekin Shire Council is aware from decisions made in January this year that Burdekin Irrigators have generally accepted the Government deal which includes a Queensland Competition Authority Review of SunWater charges, ending a year long dispute over water prices.
- Although the Council has not obtained a copy of Burdekin Irrigators submission to your Authority, Council, from its dealing with the representative voice of the 270 Irrigators in the BRIA, does not wish to compromise any facts and circumstances relied on by the Irrigators in supporting a review of their water charges.
- The Mayor and I have been briefed on all aspects of the Irrigators case, including research carried out on behalf of the Irrigators comparing this district's charges with other areas. Council is satisfied that given National Competition principles were followed in determining fairness and equity in developing charging policies for irrigation areas in Queensland by SunWater, clearly on the figures provided to Council, Burdekin Irrigators are paying above full cost recovery for irrigation water supplies.

#### Addressing the Key Issues – Council's Assessment on the Capital Return to the State Government in respect of the Development of the BRIA

- The Burdekin Shire Council prepared a detailed response to the Queensland Parliamentary Public Works Committee on the Review of the Burdekin River Project. Together with Burdekin Irrigators, the Mayor Cr. Woods and I made a detailed submission to Public Hearings at the Burdekin Shire Council Chambers on 20<sup>th</sup> November 2001.
- A copy of Council's submission is attached to assist your Authority in forming an opinion on the extent of capital return to the Government from the development and in particular, the ongoing costs to the Burdekin Shire Council and Burdekin community in future capital and maintenance costs for a major road and infrastructure network in the area.
- The Council is prepared to learn from the past and the optimistic projections for the Burdekin River Project. The detailed submission attached, provides constructive comments supporting a joint commitment by the State Government and the Burdekin Shire Council to the ongoing productivity, quality and sustainability of land, water, industry, the environment and agricultural production in the Burdekin.
- In terms of an overall performance rating of the Burdekin River project based on community satisfaction survey criteria i.e. ranking the project – Very Good, Good, Satisfactory, Poor or Very Poor, the Burdekin Shire Council's report card ranks the Burdekin River project at best "Satisfactory".

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- Council's conclusions for its performance rating were formed because of positive Government reports released prior to or immediately following the commencement of the Burdekin River project (Paragraph 4.5).
- The optimistic projections and documented reports (Paragraphs 5.1 to 5.10) on the potential development did not materialise including the following:-
  1. Establishment of new industries;
  2. The growing of excess cane for ethanol production;
  3. The expansion of the rice industry;
  4. Projected water requirements for new agricultural based industries;
  5. Promotion of monocultural agricultural opportunities;
  6. Industrial development giving rise to urban expansion;
  7. Development of both thermal and hydroelectric power generation;
  8. Low or high population projections for the Burdekin;
  9. Expansion of horticultural production including processing and export opportunities.
- In relation to the positive rate of return on the scheme's assets, Council wishes to draw your attention to Appendix 9 of the detailed submission. You will note that on the advice of SunWater that in respect of the 186 allotments sold in the BRIA area for an area development of 13,433.4 hectares and upset prices at auction of \$41,818,480, the realised prices (return to Government) totalled \$67,030,220 – a return above upset prices of \$25,211,740.
- Again, based on SunWater's figures, the return to Government in respect of the total water allocation for these 186 farms was \$23,016,100. Council does not have access to SunWater's costs to establish the return to Government for costs associated in the delivery of the total water allocation.

#### Conclusion

- It surprised the Council that Burdekin Irrigators apparently didn't have an avenue of appeal to the Parliamentary Commissioner for Administrative Services against the fairness and equity for water pricing in the BRIA area.
- However, it is pleasing that Council's support for a review of the charges by your Authority has been accepted by the Premier and Ministers in the State Government.
- Council waits in eager anticipation for a satisfactory outcome to its submission and that by Burdekin Irrigators. Any review that improves costs to Irrigators will be of considerable benefit to the cane farming industry and as importantly, to the wider Burdekin community, reeling from a prolonged downturn in income to the district's major industry.

Yours faithfully,



G.J. Webb,  
CHIEF EXECUTIVE OFFICER.

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