

Submission

To the

Queensland Competition Authority

On the

**Burdekin Haughton
Water Supply Scheme**

Assessment of Pricing Matters

11th March 2002

South Burdekin Water Board

28 Ninth Street, PO Box 376, Home Hill. N.Q. 4806

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GROUND WATER REPLENISHMENT SINCE

11th March 2002

The Directorate
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

REFERENCE:

Burdekin Haughton Water Supply Scheme: Assessment of Pricing Matters

INTRODUCTION:

In response to notices and having regard to the Key Issues the Authority has identified for assessment, I submit this letter on behalf of the South Burdekin Water Board.

CONFIDENTIALITY:

This submission is considered not confidential.

BACKGROUND

The South Burdekin Water Area occupies part of the Lower Burdekin River Delta over a benefited area of approximately 28,000 hectares.

Investigation during the early 1960's resulted in implementation of an artificial groundwater recharge scheme in the Eastern Part of the Burdekin River Delta, which involved using pumping plant to divert river water to suitable recharge areas through a system of natural and artificial channels.

These works entirely financed by Growers and Millers of sugar cane in the area are controlled by two autonomous bodies – The North and South Burdekin Water Boards constituted in 1965 and 1966 respectively.

The scheme relied on natural flow in the Burdekin River, which at times occurred during heavy rainfall events mostly from January to March, however the latter part of the year being the driest period generally resulted in limited river flow.

Stability of the Sugar Industry in the Burdekin has been enhanced by the Delta Boards operations and as such provided much of the economic basis for the recent development of the Burdekin River Irrigation Area by the Queensland Government.

It was from the South Burdekin Water Board Office in the early 1970's that the drive for a more constant, reliable source of water to service development of an expanding irrigated agricultural area was initiated. Firstly with the formation of the Urannah Dam Committee, then the Burdekin Water Resources Development Committee and finally with wider regional community involvement, the Townsville, Burdekin Regional Water Committee. This committee successfully presented submission to both the State and Commonwealth Governments in 1979 to finance the Burdekin River Project, and sought commencement of the Burdekin Falls Dam.

The Burdekin Falls Dam was completed in 1987 and consequently release of water from this storage established regulated flow in the Burdekin River outside of the annual wet weather periods when catchment drain off maintained seasonal flood events.

Prior to 1992 the Delta Boards operated with run of the river water supply free of cost.

The South Burdekin Water Board Allocation of Water Amendment Order 1992 (**Refer Attachment 1**) established nominal allocation of water which could be diverted from the Burdekin River in any one year in conjunction with the North Burdekin Water Board. This order established Payment for Water Diverted at minimum annual charge volume for the Board, with a component levied at the river rate in the Burdekin River Irrigation Area.

The South Burdekin Water Board accepted in 1992 that regulated release of its Nominal Allocation from the Burdekin Falls Dam storage would be charged in accord

with negotiated arrangements. As a responsible corporate body, South Burdekin Water Board has met these payments.

However, the Board has constantly objected to the price of river water in the following forums:

- Industry Commission Inquiry into “Water Resources and Waste Water Disposal – 1992”. **(Refer Attachment 2)**
- Productivity Commission Inquiry into “Impact of Competition Policy Reforms on Rural and Regional Australia – 1998”. **(Refer Attachment 3)**
- “Proposal for Local Management of Water in the Burdekin” submitted to the Queensland Government June 2000, for consideration of a Business Plan resulting from extensive consultation with both the Queensland Water Reform Unit and Consultants Marsden Jacobs using Scheme Cost Revenue Data”. **(Refer Attachment 4)**
- Queensland Government Shareholding Ministers for SunWater; response to the ILMC Proposal for Local Management of Water in the Burdekin – 6 November 2000. **(Refer Attachment 5)**
- Director General, Queensland Government Department of Natural Resources – “Price path charges for Irrigation Water in the Burdekin River Irrigation Area approved by Government – October 2000” **(Refer Attachment 6)**
- Queensland Public Works Committee – “Burdekin River Project – November 2001” **(Refer Attachment 7)**
- Queensland Minister for Natural Resources and Mines the Honourable Stephen Robertson – Open Discussion on Water Price with Irrigators – April 2001. **(Refer Attachment 8)**

Key Issues For Assessment

DOT POINT ONE

“capital contributions made by each if any of the irrigators, the Commonwealth, State Government or other Parties”

The South Burdekin Water Board in addition to that proportion (40%) of the combined Delta Water Boards Nominal Water allocation, has purchased a further 15,000 megalitres of Water Allocation from the Queensland Government at a total cost of \$1,500,000. It is understood that this charge of \$100 per megalitre is “Capital Charge or Contribution”.

The Board in addressing increased water demand clearly had no option but to pay the prescribed charges (capital contribution) for purchase of increased Water Allocation, resulting in commitment to unacceptable annualised tariff rate.

Furthermore, the Board is uneasy about this transaction, having an understanding that its Water Allocation sits within the Burdekin Falls Dam Storage and that “the Commonwealth Government contribution toward the Burdekin Falls Dam is written off”.

(refer 1992 Industry Commission Inquiry)

Similarly, the Board as proponent of the Project and understanding that at inception when the Burdekin River Project was planned in 1951, “it was generally recognised that irrigation settlers should not be expected to meet the full cost of irrigation works since benefits accrue to the community as a whole”.

Put simply, “the Board asserts that the Burdekin River Rate megalitre to the Board as a Bulk User should only reflect operations and maintenance of the Dam Storage Release and considers that the Pricing Policy under review should seek that equity retrospective to conception, with due regard to the Waiver of Capital Contribution toward the cost of the Burdekin Falls Dam”

(refer 1992 Industry Commission Inquiry)

DOT POINT TWO

“The appropriate weighted average cost of Capital that could be incorporate in the price providing infrastructure services”

In respect of the preceding issue comments, the Board maintains its view that return on Capital cost should **NOT** apply to release from the Burdekin Falls Dam Storage.

The Board finds itself unable to comment on Water Infrastructure specifically utilised for lift or diversion from the river and ultimate distribution of water throughout the Projects Designed Irrigation Area.

Furthermore, the Irrigation Area Design changed as it developed and the scheme is incomplete!

DOT POINT THREE

“whether the current price paths incorporate any excess return on capital based on the above analysis”

Based on the Burdekin Scheme Cost Revenue Data supplied by the Queensland Water Reform Unit, the Burdekin Interim Local Management Committee’s submission to Government 29 June 2000 clearly identifies in Part 4 – Financial Assessment, a substantial disparity between the bulk water price assessed, and the price of water charged (River Rate). In analysis, this price difference can only be assumed to be excessive return on capital structured into the tariff structure.

DOT POINT FOUR

“under what circumstances it would be appropriate for an entity to charge a positive rate of return on scheme assets”

The Board purchased Water Allocation in accord with Queensland Government Departmental Procedures by payment of “Capital Contribution”.

The scheme in part had been operational for some ten years before COAG/NCP Water Reform objectives emerged. Clearly not a new scheme, and the project remains incomplete to date.

The establishment of the Burdekin Interim Local Management Committee on behalf of local irrigator users gave opportunity for meeting COAG/NCP objectives whilst providing total transparency of activities to those local users of Water Resources in the region. Significant benefits and efficiency gains, as well as water price reform was considered achievable by a local entity compared to a centrally placed state wide body.

The Board, and in particular the ILMC were not consulted in respect of the establishment of SunWater as a Government Owned Corporation, or the Rural Water Pricing Direction Notice (NO01) 2000.

On the contrary, the ILMC, on behalf of water users, advised the Water Reform Unit when presented with maximum and minimum options, that it was unable to accept a price path to which they had no input or consultation, and clearly stated that users were only prepared to pay cost of recovery based on efficient management of the Burdekin Scheme.

(refer ILMC letter 10 July 2000)

Furthermore, having access to the Schemes actual Cost Revenue Data for Financial Assessment of Local Entity Status and Water Price, both the Board and the ILMC objected to the gazetted price paths for irrigation water in the Burdekin.

(refer Board letter 30 Nov 2000)

On that basis, the charges listed represented much more than very conservative cost recovery expectation, and it became most obvious that a positive rate of return on the scheme had been applied to the tariff's without consultation.

Unfortunately, this action can only be interpreted as contrary to COAG/NCP objectives.

As Water Reform evolved out of the COAG/NCP Reform Processes, the only circumstances acceptable to this Board as appropriate for an entity to charge a positive

rate of return on scheme assets remain within the five elements of the COAG Strategic Framework and NCP elements, with particular emphasis on Public Consultation and Institutional Reform. **(refer Board Letter 28 March 2000)**

CONCLUSION

In summary therefore, the only circumstance acceptable to the Board as appropriate for a Rural Water Industry Entity to charge a positive rate of return on scheme assets for delivery of Rural Water is one that recognises and supports Pricing Principles which stand up to Open Public Scrutiny.

The circumstance would necessitate the purchaser of Commercialised Water Products having transparency of all costs applied as either Purchase Price or Tariff Component based on the new works generating the Product.

Agreement and acceptance with Management Process is paramount to overcome resistance to change.

The South Burdekin Water Board Executive accepts the opportunity to appear at appropriate hearing interviews should these be made available, and anticipates this advice.

Similarly, a copy of QCA Draft Report, to the Premier and Treasurer (The Ministers) in regard to this assessment would be appreciated when available.

References are listed in attached appendix.

Yours faithfully

LA Rigano

Chairman

SOUTH BURDEKIN WATER BOARD

List of Attachments

1. South Burdekin Water Board (Allocation of Water) Amendment Order 1992.
2. Industry Commission Inquiry into “Water Resources and Waste Water Disposal 1992”.
3. Industry Commissioner Inquiry into “Impact of Competition Policy Reforms on Rural and Regional Australia 1988”.
4. “Proposal for Local Management of Water in the Burdekin” Submission to Government by Burdekin Interim Local Management Committee. June 2000.
5. Queensland Government Shareholding Ministers for SunWater – response to ILMC Proposal for Local Management of water in the Burdekin. November 2000.
6. Director General, Queensland Government Department of Natural Resources – Response to ILMC Proposal for Local Management of Water in the Burdekin, August 2000 and Price Path Charges for Irrigation Water in the Burdekin River Irrigation Area. October 2000, Boards Response and Director General Reply.
7. Queensland Public Works Committee “Burdekin River Project”. November 2000.
8. Queensland Minister for Natural Resources and Mines the Honourable Stephen Robertson – Open discussion on Water Price with the Burdekin River Irrigation Area Committee. April 2001.
9. South Burdekin Water Board Response to Queensland Water Reform Unit Draft Exposure Bill.

*Water Resources Act 1989***SOUTH BURDEKIN WATER BOARD (ALLOCATION
OF WATER) AMENDMENT ORDER 1992****TABLE OF PROVISIONS**

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Short title

1. This order in council may be cited as the *South Burdekin Water Board (Allocation of Water) Amendment Order 1992*.

Commencement

2. This order in council commences on 26 June 1992.

Amended order in council

3. The order in council made on 31 March 1966 and published in the Gazette on 2 April 1966 at pages 1814-1817, as amended from time to time, is further amended as set out in this order in council.

Gov. Gaz., 26th June, 1992, No. 80, pages 1953-7

Insertion of new section 1A

4. After section 1—

insert—

‘DEFINITION

1A. In this instrument, a reference to “the Board” means the South Burdekin Water Board.’

Amendment of section 9 and heading before section 9

5. Section 9 and heading before section 9—

omit, insert—

‘DIVERSION OF WATER FROM BURDEKIN RIVER

9 (1) The Board is authorised to divert water from the Burdekin River by means of the works described in section 4.

(2) The authority to divert water granted by subsection (1) is subject to the conditions contained in sections 9A to 9G inclusive.’

Insertion of new sections 9A-9H

6. After section 9—

insert—

‘LOCATION OF PUMPING STATION

9A. The pumping station must be located on the right bank of the Burdekin River.

NOMINAL ALLOCATION

9B(1) A nominal allocation of water of 210 000 megalitres which may be diverted from the Burdekin River in any one year is granted to the Board in conjunction with the North Burdekin Water Board.

(2) The nominal allocation mentioned in subsection (1) may be varied annually by written notification by the Commissioner to the Board, depending on the volume of water stored in Burdekin Falls Dam.

(3) If, due to unforeseen circumstances, the allocation of water to which the Board is entitled under this instrument is likely to be exceeded before the end of any one year, additional water may be supplied to the Board at the sole discretion of the Commissioner.

APPORTIONMENT OF NOMINAL ALLOCATION

9C(1) The Board and the North Burdekin Water Board must agree by 31 December of each year as to the proportion of the nominal allocation to which each Board is entitled and must keep a minute or other record of the agreed apportionment.

(2) If the Board and the North Burdekin Water Board fail to reach agreement as required by subsection (1), the Commissioner may withhold supply of water over and above the total of the free flow entitlement and minimum annual charge volume (200 000 megalitres).

INSUFFICIENCY OF SUPPLY

9D(1) Despite sections 9B and 9C, if the Commissioner is of the opinion that the quantity of water available from the Burdekin Falls Dam is, or is anticipated to be, at any time, insufficient to meet the lawful entitlements of all persons and authorities, the Commissioner may give a notice to the Board in accordance with subsections (2) and (3).

(2) The Commissioner may, by written notice to the Board, regulate the quantity of water the Board is otherwise authorised to divert from the Burdekin River.

(3) A notice under this section must state the date, being at least seven (7) days from the date of the notice, on and from which the regulation is to commence.

WATER METERS

9E. The Board must provide and maintain in good order and condition suitable meters to record the quantity of water diverted by the Board from the Burdekin River.

STATEMENT OF QUANTITY DIVERTED

9F. By the end of each month, the Board must forward to the District Manager at the office of the Commission in Ayr a statement showing the quantity of water diverted by the Board from the Burdekin River during the preceding month.

PAYMENT FOR WATER DIVERTED

9G(1) The combined allocation of the minimum annual charge volume for the Board and the North Burdekin Water Board is 15 000 megalitres.

(2) The minimum annual charge volume mentioned in subsection (1) will be levied at the river rate in the Burdekin River Irrigation Area.

(3) No later than 31 December in each year, the Board and the North Burdekin Water Board must each notify, in writing, the District Manager at Ayr of the agreed apportionment of the combined allocation mentioned in subsection (1).

(4) If the written notification mentioned in subsection (3) is not received by the Commission from either the Board or the North Burdekin Water Board, the Commission may determine the apportionment.

(5) Payment by the Board for its apportionment of the combined allocation mentioned in subsection (1) must be made within 30 days after the date of invoice.

(6) The quantity of water diverted between 200 000 megalitres (which includes the minimum annual charge volume of 15 000 megalitres mentioned in subsection 9G(1)) and 210 000 megalitres will be invoiced as and when diverted and levied at the river rate in the Burdekin River Irrigation Area.

(7)(a) A charge for water diverted in excess of the combined allocation of 210 000 megalitres granted by subsection 9B(1) will be subject to determination by the Commissioner;

(b) Payment for water diverted in excess of the combined allocation of 210 000 megalitres must be made within 30 days after the date of invoice.

REVIEW OF CONDITIONS OF DIVERSION

9H(1) The conditions contained in sections 9A to 9G inclusive which attach to the authority to divert water granted by section 9 are to be reviewed no later than 31 December 1998.

(2) If the combined quantity of water diverted by the Board and the North Burdekin Water Board repeatedly exceeds the nominal allocation of 210 000 megalitres, the conditions contained in sections 9A to 9G inclusive may be reviewed earlier than 31 December 1998.'

ENDNOTES

1. Made by the Governor in Council on 25 June 1992.
2. Published in the Gazette on 26 June 1992.
3. Required to be laid before the Legislative Assembly.
4. The administering agency is the Department of Primary Industries.



Telephone 82 1703

South Burdekin Water Board

28 Ninth Street, Home Hill, N.Q. 4806

Fax No. 077 822039

P.O. Box 376

WCL:BRB:1878

18th May, 1992

Reference:

Industry Commission
P.O. Box 80
Canberra ACT 2616

Subject:

Water Resources and Waste Water Disposal - Release of Draft Report

Introduction:

The invitation to appear at the Public Hearing in Townsville and to participate is appreciated. The following brief submission is presented as an overview for your consideration.

History:

The South Burdekin Water Board was established by Order in Council 31st March 1966, which in part provides:

"To utilize part of the flow of the Burdekin River to replenish the Subterranean Water Supplies of the southern part of the Burdekin Delta and to thereby increase the quantity and improve the quality of the supply available from this source for irrigation, domestic stock and industrial purposes".

This Board as part of the Burdekin Delta Recharge Scheme has been guided by that Charter to operate successfully since its inception. Increased agricultural production, derived by the operational benefits of the Boards activities, is practical evidence of such progressive planning. The financing and management of this Local Board can be proudly shown as a good example of a self-help, community based and managed scheme. History of the Burdekin Delta Recharge Water Boards involvement and support of the Burdekin Falls Dam Scheme is well documented.

Policy:

The Board considers it's autonomy a high priority for success within the parameters of the Water Resources Act 1989.

The service provided to established industry and the declared benefitted area is viewed as parallel on a smaller scale to more recent developments such as the Burdekin River Irrigation Area.

The Board area has, in effect, developed progressively quite apart from and in contrast to those principles adopted within the B.R.I.A. without Government financial input.

-2/

Limitations:

The Board has harmoniously dealt with and acted in consultation with those recommendations of the Water Resources Commission in regard to operational and technical matters as provided under the relevant Act.

Issue:

In view of the Industry Commission Draft Report - R2.3 Burdekin River Irrigation Area, we refer to the statement: "that the Commonwealth Governments contribution toward the Burdekin Dam is WRITTEN OFF" and submit the following to expand on water pricing policy in our particular case.

- The Board has negotiated and accepted in good faith, "Water Allocation" based on Water Resources Commission data. Amendment to the Boards Order in Council is presently before Executive Council.

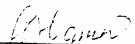
- The Board accepts charges for regulated flow from the Burdekin Falls Dam Storage, however considers that these charges should not reflect Capital Contribution for works downstream of the Dam relative to the Burdekin River Irrigation Area or ancillary schemes such as the Townsville Water Supply, as current methodology would confirm.

Summary:

We assert that the riparian rate per megalitre to the Board as a Bulk User should only reflect operations and maintenance of the Dam Storage release and consider that the Pricing Policy under review should seek that equity retrospective to conception, with due regard to the waiver of capital contribution toward the cost of the Burdekin Falls Dam.

We contend that it is appropriate to include this matter under your review as the outcome of projected revenue from water sales may very well affect the final review analysis.

Yours faithfully,
South Burdekin Water Board


G.B. CAMER - Chairman

WATER RESOURCES AND WASTE WATER DISPOSAL
NOTIFICATION OF INTENTION TO APPEAR AT DRAFT REPORT
HEARINGS

Please complete and return this form immediately to:

Industry Commission
 PO Box 80
 BELCONNEN ACT 2616

or by facsimile to:
 Monique Renaut
 (06) 253 1999

(If you have faxed this form to the Commission please do not send a hardcopy by mail)

Name of Company/Organisation: SOUTH BURDEKIN WATER BOARD

Postal address: P.O. BOX 376

City: HOME HILL State: QLD Postcode: 4806

Street address: 28 NINTH STREET HOME HILL

Name of Principal Contact: MR W.C. LOWIS

Contact's Position: MANAGER - S.B.W.B.

Telephone No: (077...) 821703 Fax/~~Telex~~ (077)- 822039

Names of other persons likely to appear at the hearings and their positions:

MR G.B. CAMER CHAIRMAN - S.B.W.B.

MR W.C. LOWIS MANAGER - S.B.W.B.

☒ We intend to appear at the public hearing in:

ADELAIDE (Commencing 5 May 1992) []

PERTH (Commencing 6 May 1992) []

CANBERRA (Commencing 12 May 1992) []

MELBOURNE (Commencing 14 May 1992) []

SYDNEY (Commencing 19 May 1992) []

TOWNSVILLE (Commencing 21 May 1992) [x]

SHEPPARTON (Commencing 26 May 1992) []

Comments APPOINTMENT TO APPEAR 4pm - 21 MAY 1992

SUBMISSION

COPY

To the

PRODUCTIVITY COMMISSION

On the

**IMPACT OF COMPETITION POLICY
REFORMS ON RURAL AND REGIONAL
AUSTRALIA**

18 December 1998.

South Burdekin Water Board
28 Ninth Street
PO Box 376
Home Hill NQ 4806

Groundwater Replenishment Since 1966.

South Burdekin Water Board

28 Ninth Street, PO Box 376, Home Hill. N.Q. 4806

Reference:WCL:BRB:3112

18th December, 1998

Productivity Commission
PO Box 80
Canberra ACT 2616

Subject:

Inquiry into Impact of Competition Policy Reforms on Rural and Regional Australia.

Introduction:

The invitation to participate in this inquiry is appreciated. The following brief submission is presented for your consideration.

History:

The South Burdekin Water Board was established by Queensland Legislation 31st March 1966 which in part provides;

"To utilise part of the flow of the Burdekin River to replenish the subterranean water supplies of the southern part of the Burdekin Delta and to thereby increase the quantity and improve the quality of the supply available from this source for irrigation, domestic, stock and industrial purposes."

The Board, as part of the Burdekin Delta Recharge Scheme has been guided by this charter to operate successfully since its inception.

Increased agricultural production, which is predominantly sugar cane, has been derived from the operational benefits of the Board's activities. Evidence of such progressive planning can be evaluated when comparing 700,000 tonnes of cane grown in 1966 to the current estimate of 1,600,000 tonnes of production within the benefited area. Consequently, this enhancement generates national wealth through export and domestic markets.

Industry financing and management by this *autonomous local board* can be proudly shown as a good example of a self help, community based and managed scheme, resulting in a service provided to scheme contributors considered parallel on a smaller scale to major public irrigation projects and at no cost to Government. The Board considers its autonomy a high priority for success providing the ability to deal with and remain in tune with local issues as well as evaluating continuous improvement within financial limitations.

As a non profit, non commercial organisation seeking to remain the vehicle for common goals and interests, certain priority is therefore placed on minimising costs to industry.

Futures marketing now emphasises the need to become more focussed on overall production costs, whilst providing margins for adverse factors such as weather, pests and unavoidable impacts!

It must also be emphasised that this industry board membership comprises:

- One member representing the Queensland Department of Natural Resources
- One member representing the Burdekin Shire Council
- Two members representing the owners of the Inkerman Sugar Mill
- Four members elected by the Inkerman Mill Suppliers.

Refer: Appendix 1 - South Burdekin Water Board Annual Report Year Ended 30 June 1998.

Our Understanding of Agenda for Water Industry Reform: - Comprises two parts

1. The objectives of *COAG Reforms*; By 2001, achieve a water industry that is economically efficient and ecologically sustainable, and which delivers better environmental outcomes. The COAG Strategic Framework for water industry reform consists of five elements:

- Cost recovery and pricing
- Water allocations and trading
- Public consultation
- Environment and water quality
- Institutional reform

2. *National Competition Policy* centres on;

- Extension of Trade Practices Act (1971) to include unincorporated businesses and State and Tertiary Government Businesses.
- Extension of prices surveillance to State and Territory Government Businesses.
- Application of competitive neutrality principles.
- Restructuring of public sector monopoly businesses.
- Reviewing all laws which restrict competition.
- Providing for third party access to nationally significant infrastructure.

South Burdekin Water Board

28 Ninth Street, PO Box 376, Home Hill. N.Q. 4806

Reference: WCL:BRB:2942

17th December, 1997

Mr S Kinley
Manager Water Infrastructure Administration
Department of Natural Resources
GPO Box 2454
Brisbane Qld 4001

Dear Sir,

Re: Exemptions from Parts of the Financial Management Standard 1997.

I refer to your letter 18th August 1997 and subsequent discussions on this subject. I apologise for such a late formal reply, and as requested, provide this brief submission in support of my Board's position on the matter.

The Board sought and gained, in 1993, certain exemptions under previous standards in consideration of role and operations. The Board still holds the same view that mandatory compliance as such, is not relevant to organisations with small administrative structures who's operations are well established and monitored for their specific function and purpose.

This Board would therefore seek to remain exempt from the equivalent to those parts; 2, 3 and 4 of the former Public Finance Standard referred to in your letter.

This Board was originally constituted under the provisions of the Water Acts 1926 to 1964 by an Order In Council made on the 31st March 1966. Following repeal of that Act, the Board has continued to operate under the provisions of the Water Resources Act 1989. The constitution of the Area and Board, as well as the purpose for which the area is constituted, is clearly defined in the constituting order. It is important to note, the primary function of this Board is: "to replenish the subterranean water supplies of the southern part of the Burdekin Delta".

The Board meets monthly and arranges special meetings or inspections as necessary. The Annual Budget is adopted in April and provides for activities in the projected year ahead, provisions for future planned expenditure and also accommodates seasonal or climatic influences. The budget is funded by levy on sugar cane delivered to Inkerman Sugar Mill in the ratio 2/3 grower, 1/3 miller and includes three funds; Operating, Capital Works and Reserve, which are submitted for ministerial approval each year. The Board operates on a cash accounting system, the rate book lists all rates and charges determined, and includes the names of all ratepayers. The Board's Annual Report

Concerns with NCP

1. *Creation of undue cost on industry by mandatory application of institutional accountability:*

Refer: Appendix 2 - Copy of submission to the Queensland Department of Natural Resources - Water Infrastructure Administration seeking exemptions under legislation.

2. *Creation of undue cost to industry by providing for third party access:*

Concern that emphasis will shift from "Nationally significant infrastructure" toward a much lesser level of infrastructure provided by a *non commercial* entity, for establishing "access rights".

3. *Extension of prices surveillance:*

Refer: Appendix 3 - copy of submission to the Industry Commission in 1992 on; "Water Resources and Waste Water Disposal".

Concern with institutional reform process and how audit of cost recovery and pricing reflects the true price of water in particular to the Board's issue of contention expressed in the 1992 Submission.

Yours faithfully,
South Burdekin Water Board



L.A Rigano
Chairman

South Burdekin Water Board

28 Ninth Street, PO Box 376, Home Hill. N.Q. 4806

Reference: WCL:BRB:2942

17th December, 1997

Mr S Kinley
Manager Water Infrastructure Administration
Department of Natural Resources
GPO Box 2454
Brisbane Qld 4001

Dear Sir,

Re: Exemptions from Parts of the Financial Management Standard 1997.

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The Board sought and gained, in 1993, certain exemptions under previous standards in consideration of role and operations. The Board still holds the same view that mandatory compliance as such, is not relevant to organisations with small administrative structures who's operations are well established and monitored for their specific function and purpose.

This Board would therefore seek to remain exempt from the equivalent to those parts; 2, 3 and 4 of the former Public Finance Standard referred to in your letter.

This Board was originally constituted under the provisions of the Water Acts 1926 to 1964 by an Order In Council made on the 31st March 1966. Following repeal of that Act, the Board has continued to operate under the provisions of the Water Resources Act 1989. The constitution of the Area and Board, as well as the purpose for which the area is constituted, is clearly defined in the constituting order. It is important to note, the primary function of this Board is: "to replenish the subterranean water supplies of the southern part of the Burdekin Delta".

The Board meets monthly and arranges special meetings or inspections as necessary. The Annual Budget is adopted in April and provides for activities in the projected year ahead, provisions for future planned expenditure and also accommodates seasonal or climatic influences. The budget is funded by levy on sugar cane delivered to Inkerman Sugar Mill in the ratio 2/3 grower, 1/3 miller and includes three funds; Operating, Capital Works and Reserve, which are submitted for ministerial approval each year. The Board operates on a cash accounting system, the rate book lists all rates and charges determined, and includes the names of all ratepayers. The Board's Annual Report

provides statistical information, general activities and audited financial statements which is posted to all ratepayers.

Since its inception, the Board has initiated works progressively within its financial limitations. Initially resumption of lands for channel construction was not acceptable to many landholders. In some cases resumption settlement remains outstanding to date, however in most instances land was made available to the Board by 'peppercorn' agreement, as landholders recognised the benefits of such a scheme. Therefore, to address these concerns, the Board has adopted policy of land easement agreement in lieu of formal resumption process.

This community self help approach has been encouraged by the Board and has fostered a sense of industry/community ownership which generates a common goal approach of mutual interest without the need to exercise assertive action by either party. Please note, the Board was never financial enough to meet compensation demands made for property values at the time of acquisition. These are very important points to consider when suggesting valuation of assets toward commercial practice, which is dealt with later in this letter.

The sense of ownership, achievement and industry viability have been major planks toward empowering the wider community, and the diverse skills based background of members, provides Board Management with a positive, practical approach to problem solving and getting on with tasks at hand. The Board's mission statement or purpose is clearly defined in its constitution and is both understood and accepted by board members, staff, industry and the wider community. Review processes, both formal and informal, identify community needs and expectations, and the Board's 'open door' policy encourages 'without prejudice' interaction.

This general preamble leads us to consider the present proposal of temporary exemption as stated in your letter.

Restructuring of the Public Sector has introduced change toward making performance count, providing responsible leadership and strengthening the culture of continual improvement. The general thrust of change away from traditional bureaucracy is shifting emphasis from process to results.

It is considered fair to say that this Board has been successfully travelling this path for quite some time and I provide some examples:

- Self help, self funded and non profit.
- Does not receive government funding.
- Has a purpose and organisational profile which is effective, but not over resourced.
- Has an impressive history of efficient and effective management.
- Implements decisions based on budget allocations and observes review process.
- Recognises that autonomy is paramount to success - to choose options and long term objectives to benefit its purpose, yet remain within its own financial limitations.

Under proposed review, the Board respectfully seeks continuation of granted exemptions, because its operations are considered unique as a statutory authority. The fact that its purpose as a 'water area' is to replenish subterranean water supplies,

distinctly places it in a totally different position to that of a 'Water Supply Area Board' or 'Drainage Area Board', as defined under the Water Resources Act 1989.

To review operations with a view to commercialisation is a review of current financial practice; that of shifting from cash accounting to accrual accounting, and assumes assets of the Board generate profit. This move of course will impact the self-help, non-profit ethic where adverse 'thrust of change' may see more of process and less on results.

It is understood that Accrual Accounting involves the recognition of revenue, expenses, assets, liabilities etc, when an economic transaction occurs irrespective of the timing of any related movement of cash. It is a comprehensive system that recognises assets and liabilities as well as depreciation, as opposed to cash accounting where capital investment is treated as expenditure.

This proposed concept is a fundamental shift away from the non-profit entity which has worked so well. In the first instance, this Board under its constituting charter, does not view its operations toward this proposal of commercialisation. Furthermore, a shift from the current practice of self-funding and providing specific expenditure as considered necessary, impacts the conciliatory method of revenue raising, so well accepted within the current cultural framework.

The 'user charging' concept is recognised and addressed in the Board's Rate Book. All benefited ratepayers contribute revenue toward the Board's purpose; because groundwater knows no boundaries. All other defined services are purposely linked to the Board's constituted revenue process. Without going into detail, the basis of these charges consider equity to all users, and are accepted by those users as fair and reasonable. It would be extremely difficult to introduce a commercial industry rate into a replenishment system, because part of the aquifer replenishment process occurs by water spreading, an activity performed by the user.

Strategic Planning could be seen by the Board as a paper exercise when considering the extremes of seasonal and climatic influences dry tropic areas such as this endure. Put simply, it is a waste of resources, both financial and physical to carry out replenishment process to a fully recharged aquifer after a naturally occurring recharge event, simply to satisfy planning strategies.

The Board would therefore have to ask, "What are the benefits? Is this proposed change going to produce better performance and improvement? Do benefits justify the cost?"

Before addressing these questions, the fundamental decision must be, to determine whether the Board accepts commercialisation driven by mandatory implementation of the Financial Management Standard 1997. That is, whether the Board accepts the costs, both financial and cultural which surely accompanies this change. To focus on change and to be very brief, financial costs are envisaged to provide for extra staff, training and technology. Where permanent staffing resources are not considered relevant, outsourcing professional services for internal audit and regular account of finances would seem to be suggested. Similarly, the establishment of an asset register and its valuation in accordance with prescribed standards will no doubt also require professional

services not currently provided by the Board. It is most important to remember that this Board is constituted as a Water Area with a specific function and purpose, and history provides us with recorded evidence of good financial management and planning in performance of that responsibility.


In the past there has not been a requirement to value assets of the Board. This letter therefore basically comments on the proposal to introduce commercialisation and the need to change from cash to accrual accounting for that purpose, in which case, valuation of assets is a mandatory function. This particular move however, would undoubtedly create a Breach of Trust with those individuals who have contributed land and services without true compensation, in order to progress the scheme from its infancy. It is fair to comment that such an act would destroy the excellent working relationship the Board has established over time with its ratepayers, and this in turn would no doubt lead to cultural indifference and inevitable distrust by those ratepayers toward the Board. It is not a situation the Board would tolerate!

The Board cautions 'change for the sake of change' and is mindful of what is being achieved and how best industry and the community is being serviced. The Board's services are geographically limited to part of the Burdekin Delta Aquifer, a natural national asset, which for environmental reasons cannot be put into jeopardy by unfounded resource management theories. Protection and performance of this asset and water area has been well and truly established by the performance of this Board.

Consequently, on behalf of the Board, I repeat the previous request for consideration and assistance, to respectfully seek and obtain necessary exemptions of the Financial Management Standard 1997, so that this Board may continue to operate under current arrangements.

I look forward to your advice.

Yours faithfully,
South Burdekin Water Board


WC Lewis
Manager

B.W.B.

APPENDIX 3

Telephone 82 1703

South Burdekin Water Board

28 Ninth Street, Home Hill, N.Q. 4806

Fax No. 077 822039

P.O. Box 376

WCL:BRB:1878

18th May, 1992

Reference:

Industry Commission
P.O. Box 80
Canberra ACT 2616

Subject:

Water Resources and Waste Water Disposal - Release of Draft Report

Introduction:

The invitation to appear at the Public Hearing in Townsville and to participate is appreciated. The following brief submission is presented as an overview for your consideration.

History:

The South Burdekin Water Board was established by Order in Council 31st March 1966, which in part provides:

"To utilize part of the flow of the Burdekin River to replenish the Subterranean Water Supplies of the southern part of the Burdekin Delta and to thereby increase the quantity and improve the quality of the supply available from this source for irrigation, domestic stock and industrial purposes".

This Board as part of the Burdekin Delta Recharge Scheme has been guided by that Charter to operate successfully since its inception. Increased agricultural production, derived by the operational benefits of the Boards activities, is practical evidence of such progressive planning. The financing and management of this Local Board can be proudly shown as a good example of a self-help, community based and managed scheme. History of the Burdekin Delta Recharge Water Boards involvement and support of the Burdekin Falls Dam Scheme is well documented.

Policy:

The Board considers it's autonomy a high priority for success within the parameters of the Water Resources Act 1989.

The service provided to established industry and the declared benefitted area is viewed as parallel on a smaller scale to more recent developments such as the Burdekin River Irrigation Area.

The Board area has, in effect, developed progressively quite apart from and in contrast to those principles adopted within the B.R.I.A. without Government financial input.

-2/

Limitations:

The Board has harmoniously dealt with and acted in consultation with those recommendations of the Water Resources Commission in regard to operational and technical matters as provided under the relevant Act.

Issue:

In view of the Industry Commission Draft Report - R2.3 Burdekin River Irrigation Area, we refer to the statement: "that the Commonwealth Governments contribution toward the Burdekin Dam is WRITTEN OFF" and submit the following to expand on water pricing policy in our particular case.

- The Board has negotiated and accepted in good faith, "Water Allocation" based on Water Resources Commission data. Amendment to the Boards Order in Council is presently before Executive Council.

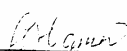
- The Board accepts charges for regulated flow from the Burdekin Falls Dam Storage, however considers that these charges should not reflect Capital Contribution for works downstream of the Dam relative to the Burdekin River Irrigation Area or ancillary schemes such as the Townsville Water Supply, as current methodology would confirm.

Summary:

We assert that the riparian rate per megalitre to the Board as a Bulk User should only reflect operations and maintenance of the Dam Storage release and consider that the Pricing Policy under review should seek that equity retrospective to conception, with due regard to the waiver of capital contribution toward the cost of the Burdekin Falls Dam.

We contend that it is appropriate to include this matter under your review as the outcome of projected revenue from water sales may very well affect the final review analysis.

Yours faithfully,
South Burdekin Water Board


G.B. CAMER - Chairman

**PROPOSAL FOR LOCAL MANAGEMENT
OF WATER IN THE BURDEKIN**

Submission to Government

Prepared By

Burdekin Interim Local Management Committee

Draft : 29 June, 2000

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1. PURPOSE

The Burdekin Interim Local Management Committee (see ILMC) has evaluated the commercial viability and practicality of delivering responsibility for water services in the Burdekin to a local management entity. It is now seeking in principle approval to proceed with the establishment of a Category 1 Water Board as currently proposed under the Exposure Draft Water (Statutory Authorities) Bill.

This proposal sets out the policy background to the request, the benefits that accrue to local management, the proposal structure and the commercial viability of the proposed new entity. These findings provide a sound foundation and framework for the continued development and implementation of local management in the Burdekin.

2. BACKGROUND

The distribution and management of irrigation water systems across Australia has undergone substantial change over the past decade. Key changes have included:

- devolution of management responsibility and accountability to local entities;
- greater focus on customer service levels and responsiveness to customer needs;
- a more commercial and efficient delivery of water services;
- development of comprehensive regulatory and licensing regimes; and
- greater focus on resource sustainability and more efficient water use – aided by the specification of property rights for water, development of market and trading structures and attention to delivery system and on-farm water use efficiencies.

The Queensland Government is now completing an extensive process of legislative reform covering:

- water allocation and management framework;
- operational regulation of water service providers;
- governance requirements for public sector water providers; and
- a transparent and co-ordinated framework for water supply planning.

These reforms are consistent with the Strategic Framework for Water Reform and Competition Principles Agreement.

Consistent with the national and state reform agenda, the Burdekin ILMC commissioned Marsden Jacob Associates to assess the feasibility and practicality of locally-based management structures.

Benefits of Local Management

The findings of that study (refer Attachment A) have demonstrated to the ILMC that local management is not only financially sustainable, but produces a wide range of benefits which flow not only to the direct beneficiaries of the scheme but also to the local region and the state more generally.

Not only has local management been successfully introduced across Australia over the past decade, it has produced sharply better results and performance compared with the previous centralised government run models. The benefits of local management of the Burdekin for Queensland are outlined below.

Policy and Regulatory

Moving to local management in the Burdekin will:

- assist Queensland to meet one of the key water reform requirements agreed under National Competition Policy. This will help ensure that Queensland receives its full productivity dividend payment from the Commonwealth;
- ensure full cost recovery from users without recourse to Government funding;
- remove cross-subsidies between the Burdekin and other schemes;
- allow improved tariffs and pricing which will reduce business risks and provide incentives for improved water use efficiency at both farm and system levels;
- ensure full application of the more stringent regulatory framework of the proposed new water legislation. This will provide for enhanced transparency and accountability compared with previous practices or a centrally-managed entity.

Regional Benefits

Local management provides for a focus on delivering improved outcomes for the region will:

- build on regional initiatives already being implemented such as the National Resource Management Strategy for the Burdekin-Bowen Floodplain;
- target operational efficiencies in order to reduce losses and achieve better asset utilisation whilst minimising the demands on the region's water resources;
- build on proven skills and capability for efficient and sustainable management of the water resource within the region:
 - the Townsville-Thuringowa Water Board which recently won an international award for management.
 - the proposed local management structure also builds on the successful and sustained management record shown by the North and South Burdekin Water Boards. These locally managed boards have provided and managed sustainable groundwater resources to irrigators and urban communities over the past 35 years.

Local management will look to source skills and services from the region thereby assisting in the development of diversified and vibrant regional communities. In particular, the new entity would utilise the skills and experience of existing local staff; and

- assist in providing a co-ordinated input to the future development of water resources within the Burdekin catchment.

Customer Benefits

Local management of irrigation schemes has been successfully implemented in other states over the past decade. This experience has demonstrated that under local management there is a much stronger customer focus. As a result:

- customers gain a better understanding of the relationship between levels of service and price. In some cases, irrigators have chosen to reduce service levels. In other cases, they have elected to pay more to achieve superior levels of service;
- users develop a sense of ownership and price in the performance of the business. Price increases previously impossible to achieve have been accepted and argued for – rather than opposed;
- peer pressure is used to ensure customers co-operate with initiatives to improve system performance and environmental outcomes;
- under local management, users have direct inputs to key decision making, especially in regard to operational and service issues, asset maintenance and refurbishment priorities;
- a co-operative approach develops to business planning and agreement on ways to improve performance. Such approaches are difficult to achieve with more centralised structures;
- customers understand the need for sustainability in a local context; and
- users will support improved environmental initiatives that are negotiated and developed locally, rather than imposed centrally from Brisbane or Canberra.

Management Benefits

Local management produces numerous benefits to the manner in which schemes are managed. In particular, local management:

- provides greater transparency of activities and costs to local customers and users of the water resources within the region;
- leads to innovation. Knowledge and skills are unlocked, leading to new and innovative ways of solving local problems in areas such as system operation, maintenance practices and asset management and refurbishment;
- leads to more direct and accountable relationships with customers. Management performance is more transparent, leading to improved accountability and therefore performance outcomes;
- facilitates agreement among board, management and customer representatives on the objectives and issues confronting the local entity and the strategies needed to overcome those issues. Local management allows customer representatives to promote and defend those strategies within their local communities; and

- enables the development of management information systems tailored to the precise requirements of the local situation. This leads to improved decision making, improved operational efficiencies and practices, improved staff morale and improved customer satisfaction.

3. PROPOSED STRUCTURE

Following consideration of a number of options, the ILMC favours an **integrated entity** responsible for both the bulk and retail functions. Such a structure achieves an integrated business approach and economies in operational costs.

Whilst the entity would be an integrated business, there would be clear functional separation of the bulk and retail businesses through the Chart of Accounts. This would also entail separate:

- operational performance plans;
- business and corporate plans;
- reporting against separately identified performance measures; and
- transparent pricing for the two functions.

The new entity would be formed as a **Category 1 water board** under the proposed new Act. A seven person board would be established comprising part representative, part skills-based directors. It is envisaged that four directors would be nominated from the four major user groups, viz:

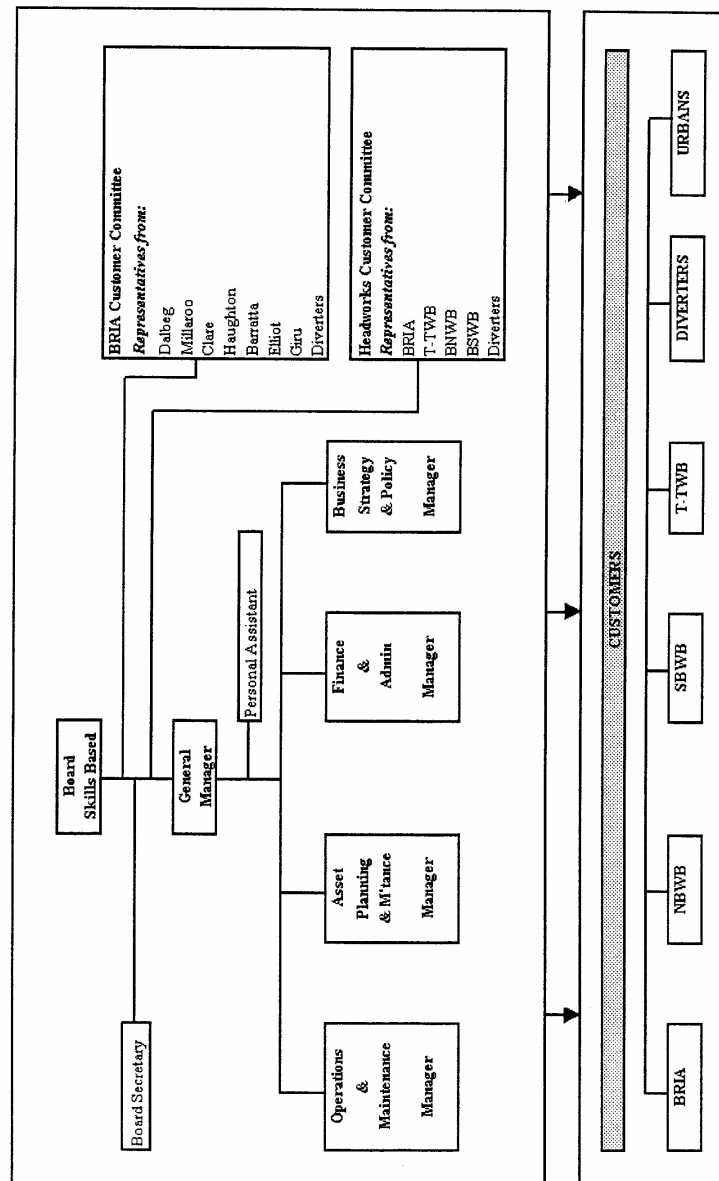
- Townsville-Thuringowa Water Board
- North Burdekin Water Board
- South Burdekin Water Board
- Burdekin-River Irrigation Area.

Additionally, three directors would be selected having **demonstrable skills** and experience in one or more of the following areas:

- corporate governance, legal and major board experience;
- commercial/financial;
- engineering and water industry;
- community leadership; and
- regional development.

The selection of all directors would be made against developed criteria which would be agreed with the Minister prior to nominations being called. The selection process would be overseen by an independent but regionally-based recruitment/human resource consultant. The proposed structure of the integrated local management entity is illustrated in Chart 1.

CHART ES.1 STRUCTURE FOR INTEGRATED ENTITY



The board of the new local entity would be assisted in policy development and operational issues through **two Customer Service Committees** (CSC). One CSC would be responsible for the bulk water function and the other for the retail (ie., channel water distribution) function. The composition of each would differ with the bulk Water CSC comprising representatives from the major customer groups – Townsville Thuringowa^a, North Burdekin and South Burdekin Water Boards, channel irrigators and urban customers.

By comparison, the Retail CSC would comprise representatives from each area of the BRIA.

The function and responsibilities of the CSCs are summarised in Chart 2.

CHART 2 : OPERATION OF CUSTOMER SERVICES COMMITTEES

FUNCTION AND RESPONSIBILITIES

Role

To provide guidance and support to the management and board of the Water Board in their quest to provide transparent, accountable, sustainable water services to the customers of the Burdekin River system.

Critical to the performance of the Customer Services Committees will be the completion of the **Customer Services Agreement** covering:

Service standards
Pricing policy
Responsibilities of the Board
Responsibilities of customers

Performance Criteria

- Annual approval of customer service agreement by customer services committee prior to commencement of next irrigation season.
- Annual approval of customer service agreement by Board prior to commencement of next irrigation season.

MEMBERSHIP OF CUSTOMER SERVICES COMMITTEES

- Irrigators should elect members of irrigation customer services committees.
- The members of those committees should elect the chairperson and deputy chairperson of the customer services committees.
- Members may be appointed by the organisations that they represent (eg. other water boards)

OPERATIONS

Meetings

- The customer services committees will meet as required.
- Secretarial support to the committees will be provided as needed by the Board.
- Committee members elected by customers will be paid session fees by the Board for their attendance at meetings.

Management Involvement

- The Operations & Maintenance Manager will attend all meetings of the committees unless a committee requests that management not attend a meeting.
- Other senior management will attend customer services committee meetings as required.
- Management of the Board will undertake to provide support and information to the customer services committees as required. Management will be accountable and ethical in their dealings with customer representatives and will seek at all times to develop and promote customer understanding and support for the business.

Access to the Board

- At least one meeting between Board members and customer services committee members will take place each year.
- Any concerns with the proposed customer services agreement, including proposed prices, should be discussed at this meeting.
- The chairman of the customer services committee will be able to call the chairman of the Board of the Board on matters of concern to the customer services committee and request meetings as required.

EVOLUTION OF WATER SERVICES COMMITTEES

- Experience with other organisations has demonstrated that it takes time for relationships to develop between management and customers.
- The open exchange of information appears to be the critical factor in establishing and maintaining successful relationships. As customer representatives gain more confidence in management an atmosphere of trust and mutual support develops. This mutual respect underpins the further evolution and development of customer services committees.
- Induction programs for new water services committee members can be useful as well as access to basic training in matters such as finance and corporate governance.

4. FINANCIAL ASSESSMENT

As a pre-requisite for delivering responsibility and accountability to a local entity, existing customers and prospective directors, management and staff must have a reasonable knowledge and understanding of the business risks faced and the capability of the entity to remain commercially viable over the long term. Naturally, the Queensland Government also requires assurance on the long-term viability of the scheme as well as the maintenance/enhancement of the scheme's physical and environmental integrity.

For the purpose of assessing whether local management is cost effective, long term financial sustainability encompasses:

- the maintenance of positive cash reserves with no extended or significant period of net cash deficit for the entity(s);
- the maintenance of the capital stock through new capital expenditure, on-going refurbishment and maintenance expenditures and, importantly, adequate allowance for;
- monitoring and reporting on the condition of assets and the development of comprehensive asset management programs.

Detailed, long-term cash flow analyses (refer appendices to attached report) were undertaken for the bulk water and retail functions. A cornerstone of the financial analyses was the adoption of conservative assumptions. These are detailed in the attached report, but include:

- bulk water pricing based on the operation of the Burdekin Falls Dam and Clare Weir with the pricing of channel water based on all assets within BRIA including the pump stations;
- costs and revenues associated with the provision of water services to towns excluded. However, costs associated with maintaining recreational facilities included but with no off-setting revenues;
- operation and maintenance costs based on average of the previous two years with **no** assumed changes in productivity;
- changes to the tariff structures. The bulk charge is in the form of a fixed charge per ML of normal allocation with penalty payments for water used above allocation. A two part tariff is proposed for channel water with a penalty charge for water used above normal allocations;
- incorporation of competitive neutrality charges including income and payroll taxes, Workcover expenses and margin on borrowings reflecting a performance dividend payable to Queensland Treasury Corporation;
- transfer of assets at current book values ie., written down replacement costs; and

- a total annual operating budget of \$7.71 million.

4.1. RESULTS – BULK WATER

Under the base case assumptions, a bulk water price of \$1.55 per ML of normal allocation is consistent with commercial viability. This is substantially less than the current price of \$12.40 per ML (full allocation) currently charged. This reflects the more appropriate alignment of the costs associated with the bulk water function.

Scenario analyses demonstrated that prices would remain below \$3 per ML for substantial variations in assumptions regarding maintenance costs and charges in the assured allocations for T-TWB. Chart 3 summarises the outcomes of these analyses.

CHART 3 : SUMMARY OF SENSITIVITY ANALYSES ON BULK WATER PRICE

SCENARIO	TOTAL NOMINAL ALLOCATION	INTEGRATED WATER BUSINESS MODEL \$ PER ML
	ML	
1. Base Case	516,892	1.55
2. Additional \$300K Maintenance Costs	516,892	2.15
3. 96,000 ML Allocation for T-TWB	492,892	1.60
4. 10,000 ML Allocation for T-TWB	406,892	1.95
5. 10,000 ML Allocation plus \$300k additional costs	406,892	2.70

In addition, the effect of a major asset failure, eg. the complete failure and reinstatement of the Clare Weir (in year 5), on the bulk water price was examined. The effect of this was to increase the price by around \$2.80 per ML for a 20 year period – a price increase judged to be well within the capability of current users.

4.2. RESULTS – CHANNEL WATER

Under the base case assumptions, an access charge of \$14.65 per ML of normal allocation and a usage charge of \$8.37 per ML is consistent with commercial viability. The total charge assuming (100% of allocation is used) is estimated at \$24.57 per ML. This compares with a current price of \$39.10 per ML – a saving of 37%.

As for bulk water, a range of scenario analyses were undertaken to assess the impact of:

- increased annual maintenance costs;

- major asset refurbishment due to a natural disaster such as cyclone/flood damage; and
- reductions in the allocation to T-TWB.

on prices and the commercial viability of the proposed local management entity. Again this demonstrates that even under these extreme scenarios, the resultant price is substantially below the current price and below that specified by the Efficient Price Path.

Importantly, the proposed tariff structure mitigates the business risk associated with volatile sales due to seasonal conditions and or resource availability. This reduction in business risk represents a major improvement on the current tariff structure in that it more appropriately aligns costs with the main business functions whilst minimising business risk. Moreover, these benefits are achieved whilst fully meeting COAG/NCP objectives of promoting trade and efficient water use.

CHART 4 : SUMMARY OF DISTRIBUTION CHARGES

SCENARIO	EFFECTIVE NOMINAL ALLOCATION (ML)	ACCESS CHARGE (\$ PER ML)	VOLUMETRIC CHARGE (\$ PER ML)
1. Base Case	369,492	14.65	8.37
2. \$300K increase in annual maintenance	369,492	15.45	8.37
3. \$5.5 million asset failure	369,492	15.10	8.37
4. No T-TWB allocation	303,492	17.85	8.37
5. No T-TWB allocation and \$300K additional costs	303,492	18.85	8.37

4.3. CONCLUSIONS

The financial assessment clearly demonstrates that a regional entity would be able to deliver bulk and retail water services to customers with a substantially more efficient cost structure than currently prevails. Moreover, the improved accountability will drive on-going efficiency improvements and benefits in terms of customer service.

Importantly, the commercial viability of both the bulk water and retail water functions remains strong even with major changes in assumptions and in the face of major catastrophic events. The proposed tariff structure mitigates the business risk associated with volatile sales due to seasonal conditions. This reduction in business risk represents

a major advance on the current structure. Moreover, it can be achieved whilst meeting COAG/NCP objectives relating to the promotion of trade and efficient water use.

Whilst cost is an important concern to local users, local management delivers significant benefits compared with a centrally-managed water business. The more important of these include:

- assist Queensland to meet one of the key water reform requirements agreed under National Competition Policy. This will help ensure that Queensland receives its full productivity dividend payment from the Commonwealth;
- target operational efficiencies in order to reduce losses and achieve better asset utilisation whilst minimising the demands on the region's water resources;
- build on proven skills and capability for efficient and sustainable management of the water resource within the region. This includes skills and experience inherent in the three water boards – Townsville-Thuringowa, North Burdekin and South Burdekin – as well as local staff based in the Burdekin;
- provides greater transparency of activities and costs to local customers and users of the water resources within the region;
- leads to innovation. Knowledge and skills are unlocked, leading to new and innovative ways of solving local problems in areas such as system operation, maintenance practices and asset management and refurbishment;
- peer pressure is used to ensure customers co-operate with initiatives to improve system performance and environmental outcomes;
- under local management, users have direct inputs to key decision making, especially in regard to operational and service issues, asset maintenance and refurbishment priorities;
- users develop a sense of ownership and pride in the performance of the business. Price increases previously impossible to achieve have been accepted and argued for – rather than opposed; and
- enables the development of management information systems tailored to the precise requirements of the local situation. This leads to improved decision making, improved operational efficiencies and practices, improved staff morale and improved customer satisfaction.

5. RECOMMENDATIONS

The Burdekin ILMC is seeking:

- in principle Government support for the concept of local management and the emerging interest in local management among regional communities;
- Ministerial support to facilitate the development and implementation of a Category 1 Water Board in the Burdekin. The Water Board would be responsible for the delivery of both the bulk and retail water functions; and
- development of appropriate cost sharing arrangements to facilitate implementation of local management.



Queensland
Government

SHAREHOLDING MINISTERS FOR

SUNWATER

Our Reference: T0003302 / T0003215

- 6 NOV 2000

Mr R McNee
Chair
Burdekin District ILMC
C/O PO Box 933
AYR QLD 4807

Dear Mr McNee

Thank you for your letter dated 2 August 2000 regarding your Interim Local Management Committee's (ILMC) interest in a local management proposal for your irrigation area's water delivery and your letter dated 17 July 2000 enclosing a report from your ILMC entitled *Proposal for Local Management of Water in the Burdekin*. We apologise for the delay in replying.

As you would be aware, we recently assumed shareholding Minister responsibilities for SunWater, ie. the Government Owned Corporation successor of State Water Projects (SWP). Corporatisation occurred following the enactment of the Water Bill 2000.

SunWater's Corporatisation Charter requires the SunWater Board to consider local management for a period of nine (9) months following the corporatisation of SWP. Local management proposals will be accepted during that period for consideration by Government in due course and on a case by case basis. However, the Corporatisation Charter also allows the SunWater Board to present a case for the retention of any scheme under the same terms and conditions available to potential user managers.

It is clearly too early for SunWater to be given the opportunity to present such a case. We would expect this to be more realistic once the new Board has been in existence for a reasonable period and has had the opportunity to "find its feet".

The Hon. David J. Hamill MLA, Treasurer
Level 9, Executive Building
100 George Street, Brisbane
GPO Box 811, Brisbane
Queensland 4001 Australia
Telephone +617 3224 8800
Facsimile +617 3228 0842

The Hon. Rod Welford MLA Minister for Environment and Heritage
and Minister for Natural Resources
13th Floor Mineral House
61 George Street, Brisbane
PO Box 456, Brisbane Albert Street
Queensland 4002 Australia
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- 2 -

In the meantime, our departments are happy to review any proposal you wish to put forward in this regard. The criteria set out in the Corporatisation Charter will be considered during this process. They include:

- a) there will be a clear and unequivocal improvement in the long term financial viability of the scheme;
- b) user management of individual irrigation schemes will have no adverse financial impacts for the State Government;
- c) the user managers accept responsibility for asset maintenance and refurbishment;
- d) the user managers accept that they are responsible to comply fully with the regulatory framework for the water industry including but not limited to:
 - Water Resource Plans, Resource Operations Plans and other resource management regulatory instruments;
 - Works approvals and control through the Integrated Planning Act; and
 - Service provider obligations including Strategic Asset Management Plans, customer service standards and, where relevant, dam safety provisions.
- e) user managers must provide sufficient information to shareholding Ministers to demonstrate that water prices under user management are to be at levels that achieve, at least, minimum financial viability.

It is not considered appropriate for the Government to provide prescriptive guidelines for submission of proposals but the above criteria should be considered during proposal preparation. Clarification or additional information will be requested from ILMCs where necessary.

The decision for user management rests with the shareholding Ministers (and ultimately Cabinet) who would take account of the conditions above, as well as wider community, regional, financial, economic, social and environmental considerations and the strategic interests of the State. The terms and conditions (including financial consideration where relevant) of any local management proposals will be considered on a case-by-case basis.

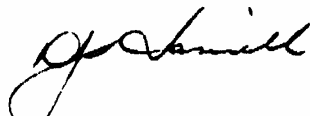
In the meantime, we are advised that our officers (and those of other relevant departments) have had the opportunity to review your ILMC's report. It is our understanding that the Director-General of the Department of Natural Resources is to write to you shortly on behalf of each of these agencies requesting clarification on a number of aspects of your committee's proposal.

It is suggested that the ILMC also give consideration to the role of Customer Councils, which are also prescribed in the Corporatisation Charter, and the possibility of using them to achieve similar results.

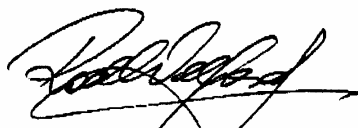
- 3 -

Following your response to the issues raised in the Director-General's letter we would be pleased to discuss your committee's proposal in more detail.

Yours sincerely



Hon David Hamill MLA
Treasurer and Member for Ipswich



Hon Rod Welford MLA
Minister for Environment and Heritage and
Minister for Natural Resources

Author Graham Pearcey
Directorate / Unit Water Reform Unit
Phone extension (07) 3406 2183

«Title» «FirstName» «Surname»
«ILMC»
«Address1»
«Address2»
«Town» «State» «PostCode»

Dear «Title» «Surname»

I am now able to advise you that the price path prices for irrigation water in the Burdekin Irrigation Area have been finalised. The prices initially proposed have been refined to allow as much as possible for the issues identified by the Water Reform Unit in consultation with your group, whilst also addressing Council of Australian Governments lower bound cost recovery criteria.

Since the last consultation with your Committee, the price paths have been modified. The Part A and B charges for both the Burdekin River and Burdekin Channel users were smoothed by rounding the figures and the Part A charge was made divisible by four for ease of quarterly billing requirements. The price paths, approved by Government, are attached.

I can also advise you that as part of the pricing determination, Government has approved an adjustment of the timeframes for user groups to lodge submissions concerning local management.

Whilst the initial nine-month local management interest period has been retained, Government has decided schemes will now be able to express interest during the fourth year as well as during the fifth year pricing period.

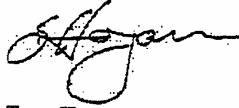
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Queensland 4001 Australia
Telephone + 61 7 3886 3686
Facsimile + 61 7 3224 2605
Website www.dnr.qld.gov.au

In finalising these price paths we have passed an important milestone in the water reform process, providing an equitable revenue basis for the newly corporatised State Water Projects. This will provide SunWater, as the corporation is now known, with a stable starting point from which it can develop new products and deliver the vital performance improvements envisaged by the Government.

At the same time, the Government is giving a high priority to progressing the water resource planning process, which now have a statutory basis under the *Water Act 2000*. Thanks to careful planning, consultation and timely implementation, these changes will integrate to bring many important benefits to the irrigation industry, including tradable entitlements and financial certainty underpinned by new service standards and efficiency. Ultimately, they will also provide a critical mainstay for ensuring sustainability for our river systems and the communities for whom they are so important.

I would like to take this opportunity to thank you and your Committee members for your constructive inputs during this process. Please feel free to contact Mr Graham Pearcey on phone (07) 3406 2185 should you have any queries concerning this determination.

Yours sincerely



Terry Hogan
Director-General

Department of Natural Resources

Water Act 2000

RURAL WATER PRICING DIRECTION NOTICE (No 01) 2000

Short title

1. This notice may be cited as the *Rural Water Pricing Direction Notice (No 01) 2000*.

Minister's and Treasurer's power to give joint direction to corporatised entity [s.1120 of the Act]

2. New pricing arrangements jointly determined for the supply, by SunWater, of rural irrigation water are set out in the Schedule.

3. Subject to an annual CPI (Brisbane all groups index) adjustment, the charges in the schedule are the prices that may be charged by SunWater for each megalitre of water towards recovery of the cost of providing rural irrigation water in each water supply project.

4. The Schedule to this direction—

- (a) in column 1, identifies the water supply project to which this direction applies;
- (b) in column 2, identifies the charging components to be paid by a water entitlement holder in the water supply project opposite in column 1;
- (c) in columns 3 to 7 establishes a 5 year price path, or in columns 3 to 8 establishes a 6 year price path, or in columns 3 to 9 establishes a 7 year price path for each water supply project identified in column 1; and
- (d) in column 3, the charges for the period 2000-01 apply from 1 October 2000 to 30 June 2001.
- (e) in columns 4 to 9, the charges for the period indicated apply from 1 July in the first year mentioned to 30 June the following year.

5. The charging components in column 2 comprise a—

- 1. Part A charge payable for each megalitre of water entitlement; and
- 2. Part B charge payable for each megalitre of water used under the water entitlement.

6. The charges in the schedule can be adjusted by SunWater when:

- (a) more information becomes available or a change in circumstances occurs that justifies modifications to charges; and
- (b) there is support by the Customer Councils which will be formed as required under the Corporatisation Charter for SunWater; and
- (c) there is no increase in the Community Service Obligation funding required from the Government.

7. The following charges apply for the supply of rural irrigation water from a regulated section of the Bowen River or Broken River: Part A: \$3.00; Part B: \$10.55. These charges will apply until the Government determines new pricing arrangements in this project.

8. The following charges apply for the supply of rural irrigation water from ground water in the Callide Valley ground water area or from surface water: Part A: \$1.00; Part B: \$15.05. These charges will apply until the Government determines new pricing arrangements in this project.

9. The following charges apply for the supply of rural irrigation water from Gladys's Lagoon in the Burdekin Water Supply Project: up to natural yield - \$0.00; other than from natural yield - Part A: \$5.60; Part B: \$33.50. These charges will apply until the Government determines new pricing arrangements in this area.

SCHEDULE

1		2		3		4		5		6			
WATER SUPPLY PROJECT		CHARGES		2000-01 (\$/ML)		2001-02 (\$/ML)		2002-03 (\$/ML)		2003-04 (\$/ML)		2004-05 (\$/ML)	
FIVE YEAR PRICE PATHS													
Barker Barambah		Part A - Redgate Relift		7.10		9.00		10.00		11.00		11.00	
		Part A - Regulated		5.60		8.00		9.20		11.00		11.00	

1	2	3	4	5	6	7
WATER SUPPLY PROJECT	CHARGES	2000-01 (\$/ML)	2001-02 (\$/ML)	2002-03 (\$/ML)	2003-04 (\$/ML)	2004-05 (\$/ML)
	Part B - Redgate Re-fill	17.25	17.25	17.25	17.25	17.25
	Part B - Regulated	8.00	8.00	8.00	8.00	8.00
Bundaberg Channel or watercourse supplemented by a channel (Interim) ¹	Part A	5.16	5.16	5.16	5.16	5.16
	Part B	36.80	37.80	39.60	41.50	44.00
Bundaberg Channel or watercourse supplemented by a channel (Final) ¹	Part A	9.76	15.00	26.84	28.00	29.60
	Part B	30.70	27.40	17.10	18.60	19.50
Bundaberg River (Interim) ¹	Part A	5.16	5.16	5.16	5.16	5.16
	Part B	9.20	9.20	9.20	9.20	9.20
Bundaberg River (Final) ¹	Part A	8.40	8.40	8.40	8.40	8.40
	Part B	4.85	4.85	4.85	4.85	4.85
Burdekin Channel	Part A	24.00	24.00	23.40	23.00	23.00
	Part B	12.00	12.00	11.60	11.40	11.40
Burdekin River	Part A	7.60	7.60	7.60	7.60	7.60
	Part B	4.10	4.10	4.10	4.10	4.10
Burdekin (Other) ²	Part A	12.00	12.00	11.70	11.50	11.50
	Part B	6.00	6.00	6.00	5.70	5.70
Central Lockyer ³	Part A	6.00	8.00	10.00	12.00	13.00
	Part B	4.30	5.00	5.65	6.35	6.90
Chincilla Weir	Part A	8.40	10.20	12.00	13.80	14.50
	Part B	6.10	7.20	8.60	9.80	10.40
Cunnamulla	Part A	9.60	10.50	10.50	10.50	10.50
	Part B	4.55	5.00	5.00	5.00	5.00
Dawson Channel	Part A	19.50	24.00	26.75	29.00	31.00
	Part B	13.50	14.50	16.50	17.50	19.00
Dawson Regulated Section	Part A	6.20	6.60	7.00	7.40	7.60
	Part B	7.20	7.40	7.75	7.80	7.80
Dawson Regulated Section (Glebe Weir Reservoir)	Part A	0.00	0.00	0.00	0.00	0.00
	Part B	5.00	5.00	5.00	5.00	5.00
Emerald Channel	Part A	15.20	16.60	16.60	16.60	16.60
	Part B	10.70	8.90	8.90	8.90	8.90
Emerald Regulated Section	Part A	6.16	6.16	6.16	6.16	6.16

¹ The charges for the Bundaberg Water Supply Project comprise "interim" and "final" charges for both the river and channel sections. The "interim" charges will apply until SunWater is able to announce 100% allocation at the beginning of any water year. At that time, the charges paid by users will be equal to the previous year's charges of the "final" charges for the remainder of the price path. The "interim" charges will no longer apply.

² The charges apply to water from Giru Ground Water Area, a watercourse supplemented from Haughton Main Channel, and Reedbeds re-fill.

³ Until interim water allocations in the Central Lockyer are established, the water price per megalitre used will be the sum of Part A and Part B charges.

1	2	3	4	5	6	7
WATER SUPPLY PROJECT	CHARGES	2000-01 (\$/ML)	2001-02 (\$/ML)	2002-03 (\$/ML)	2003-04 (\$/ML)	2004-05 (\$/ML)
	Part B	3.75	3.75	3.75	3.75	3.75
Elton	Part A	13.00	16.00	20.00	24.00	26.80
	Part B	24.00	20.80	18.40	18.05	17.75
Lower Lockyer	Part A	6.00	8.00	10.00	12.00	14.00
	Part B	11.20	12.30	13.30	14.30	15.30
Lower Mary River (Tinana Barrage and Teddington Weir)	Part A	8.72	8.72	8.72	8.72	8.72
	Part B	8.10	8.10	8.10	8.10	8.10
Lower Mary River (Mary Barrage)	Part A	7.40	7.40	7.40	7.40	7.40
	Part B	6.90	6.90	6.90	6.90	6.90
Maranoa	Part A	6.00	8.00	9.00	10.00	12.00
	Part B	9.65	8.50	10.00	11.50	12.00
Mareeba Channel ⁴	Part A - Outside a re-lift area up to 100ML	16.00	17.40	18.00	18.10	20.50
	Part A - Outside a re-lift area 100-500ML	11.00	12.00	12.20	12.20	14.00
	Part A - Outside a re-lift area over 500ML	11.00	12.00	12.20	12.20	13.80
	Part A - Relift	18.00	18.20	18.30	18.50	19.00
	Part B - Outside a re-lift area up to 100ML	15.50	16.20	16.40	16.70	18.00
	Part B - Outside a re-lift area 100-500ML	13.50	14.25	14.40	14.70	16.00
	Part B - Outside a re-lift area over 500ML	10.00	10.50	10.70	10.90	11.50
	Part B - Relift	24.00	24.00	24.00	24.00	25.00
Mareeba River ⁴	Part A - Supplemented Struans and Walsh River	11.70	11.60	11.40	11.20	11.00
	Part A - Tinaroo/ Barton	7.00	7.00	6.80	6.80	6.80

⁴ For both Mareeba Channel and Mareeba River an access charge of \$397.65 is additional to the Part A and Part B charges listed in the Schedule.

WATER SUPPLY PROJECT	CHARGES	2000-01 (\$/ML)	2001-02 (\$/ML)	2002-03 (\$/ML)	2003-04 (\$/ML)	2004-05 (\$/ML)	2005-06 (\$/ML)
SIX YEAR PRICE PATHS							
John Goleby Weir	Part A	9.60	12.00	15.00	16.00	17.00	18.80
	Part B	4.40	5.55	6.35	7.80	8.05	9.00
Lower Mary Channel	Part A	10.40	18.00	20.40	25.40	25.40	29.00
	Part B	20.00	20.00	20.00	20.00	20.00	20.00
Macintyre Brook	Part A	6.00	8.00	9.00	10.00	11.00	11.80
	Part B	7.15	8.15	9.15	10.15	10.90	11.00
Upper Condamine (North Branch)	Part A	10.00	12.75	14.10	15.40	17.00	19.00
	Part B	11.90	12.45	13.05	13.60	14.20	15.80
Upper Condamine (Sandy Creek or Condamine River)	Part A	10.00	12.75	14.10	15.40	17.00	19.00
	Part B	4.90	5.45	6.05	6.60	7.20	8.80

WATER SUPPLY PROJECT	CHARGES	2000-01 (\$/ML)	2001-02 (\$/ML)	2002-03 (\$/ML)	2003-04 (\$/ML)	2004-05 (\$/ML)	2005-06 (\$/ML)	2006-07 (\$/ML)
SEVEN YEAR PRICE PATHS								
Boyne River	Part A	5.00	7.40	9.20	11.00	13.20	14.90	15.40
	Part B	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Logan River (including regulated section of Burnett Creek)	Part A	9.80	9.80	12.00	14.30	16.40	18.50	20.40
	Part B	7.10	7.10	8.60	10.20	11.70	13.10	14.55
Warrill Valley Combined Supplemented Regulated Section	Part A	8.00	8.00	11.50	13.60	15.40	17.30	17.90
	Part B	6.50	6.50	7.60	8.90	10.20	11.45	11.80

ENDNOTES

1. Published in the Gazette on 6 October 2000.
2. Not required to be laid before the Legislative Assembly.
3. The administering agency is the Department of Natural Resources.

South Burdekin Water Board

28 Ninth Street, PO Box 376, Home Hill. N.Q. 4806

Reference: WCL:BRB:3442

30 November 2000

Mr T Hogan
Director General
Department of Natural Resources
PO Box 2454
Brisbane Qld 4001

Dear Mr Hogan

I refer to your recent letter advising price path charges for irrigation water in the Burdekin Irrigation Area approved by Government.

In response, I take this as an opportunity to formally object to both the price and tariff structure of water from the Burdekin River on behalf of my Board!

Undoubtedly you are aware from our previous meeting in Brisbane when "Proposal for Local Management of Water in the Burdekin" was submitted to Government for consideration that extensive consultation by both the Water Reform Unit and Consultant's Marsden Jacobs had taken place to evaluate the cost of water in the Burdekin. I respectfully refer you to that submission and in particular the Bulk Water Price. We have confidence that independent assessment is thorough and well researched. It is therefore both alarming and of concern that such a huge discrepancy should exist between recommended \$3.00 per megalitre for the Autonomous Entity Option and \$11.70 now imposed under price path charges. Furthermore, the proportion of Part A charge provides no incentive toward encouraging water use efficiencies, simply because the major part of water price is paid before it is used.

Unfortunately, despite numerous representations made by this Board since completion of Stage 1 of the Burdekin Falls Dam through what is understood to be correct avenues of procedure, this outcome is extremely disappointing to say the least!


More recently, it is now most obvious to my Board from release of these water charges, that despite genuine and dedicated input effort of considerable time and expense through various committee structures toward water reform process, the cost of Burdekin River water still remains an extremely contentious issue.

To place things in perspective, the South Burdekin Water Board as a body corporate is responsible for its own pumping costs from the Burdekin River, and

its Water Area is not part of the Burdekin River Irrigation Area currently administered by the Government Owned Corporation – Sunwater. Therefore we consider that no part of any cost associated with delivery and distribution of irrigation water to the Burdekin River Irrigation Area should be included in the Bulk Water or Burdekin River Water Charge. More to the point, the Burdekin River Water Charge should only reflect fair and reasonable cost of effective release from the Burdekin Falls Dam storage, (which is supported by capital contribution), to all River Water Users – including Sunwater and environmental requirements!

Finally, South Burdekin Water Area replenishment activities are fully funded by industry and at no cost to the Queensland Government. The financial return to Government from agricultural export commodity produced and benefit of natural resource management surely does not need to be further emphasised before the flow on effect of excessive water charges adversely impacts industry viability, water resource sustainability and community well being.

Yours faithfully
South Burdekin Water Board



LA Rigano
Chairman



Queensland
Government

Terry Hogan
Director-General

Author: Anita Payne
File/Ref number RRD/450/211(0004)P2 DG 9501/00
Directorate/Unit Water Reform
Phone (07) 3405 6667

Department of
Natural Resources

- 2 JAN 2001

Mr L A Rigano
Chairman
South Burdekin Water Board
PO Box 376
Home Hill QLD 4806

Dear Mr Rigano

Price Paths for Irrigation Water in the Burdekin River Irrigation Area

Thank you for your letter concerning the price paths for irrigation water in the Burdekin River Irrigation Area.

The development of the price paths for the Burdekin area, in effect only involves a tariff restructure to accurately reflect the fixed and variable costs of running the scheme. The new price path structures are designed to deliver 70 percent of revenue from the allocation charge, with 30 percent being delivered from the water use charge. In fact, the prices per megalitre for the Burdekin scheme will fall over the life of the price path as a result of the expected sale of new water allocations in future years.

The cost base for SunWater was assessed by independent consultants Arthur Andersen which removed any costs that could not be directly associated with the delivery of rural irrigation water. In fact, only about 55 percent of SunWater's costs were actually attributable to its irrigation customers. In addition, these actual costs were not considered to be at best practice service delivery standards. The price paths for all schemes incorporate net savings of 15 percent that were identified as achievable. The savings, or benchmarked efficiency gains, prepared by consultants GHD and Ernst and Young have been passed on to irrigators from 1 October 2000, even though it will take until 2003/04 for SunWater to reach the benchmarked efficient level. In the interim, the Government is funding the difference, which is in the order of \$8 million this financial year.

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Website www.dnr.qld.gov.au

The independent benchmarking of efficient costs has been very robust and the cost levels on which the price paths are based are considered justifiable. Customer councils will be established for each water supply scheme and will be provided with better information to monitor where costs are being incurred. The Councils will provide the Board of SunWater with an opportunity to negotiate better outcomes where further cost reductions are possible.

I also note that the price paths were developed over a period of 18 months in consultation with the Burdekin Interim Local Management Committee (ILMC), on which there were representatives from your Board.

In developing the price paths, careful consideration was given to industry economic conditions and the potential impacts on irrigators of pricing changes. This was done in order to minimise any flow on effects of price increases to the irrigation industry.

The South Burdekin Water Board has an allocation of 89,000 megalitre of which 74,000 megalitre is free and another 4000 megalitre for which the Board pays the Part B charge only. The remaining water is charged at the river tariff. This means that, with the new tariffs in 2000/01, the Board will be better off by an amount of \$18,800 for the 4,000 megalitre. This is good news for the Board.

I trust this information clarifies the situation. Should you have any further inquiries, please contact Mr Lee Rogers of the Department of Natural Resources on telephone 3224 2411.

Yours sincerely



Rob Freeman
Acting Director-General



Queensland
Government

Mr Terry Hogan
Director-General

Department of
Natural Resources

25 AUG 2000

Mr R McNee
Chair
Burdekin Interim Management Committee (ILMC)
c/- PO Box 933
AYR QLD 4807

Dear Mr McNee

PROPOSAL FOR LOCAL MANAGEMENT OF WATER IN THE BURDEKIN

Thank you for the document submitted in relation to the above issue which was discussed during our recent meeting. I understand similar meetings were held with representatives of a number of other agencies. They have agreed this letter can be considered as a joint response.

The present operator of the infrastructure system in the Burdekin River Irrigation Area, State Water Projects (SWP) is in the process of corporatisation under the *Government Owned Corporations Act 1993*. State Water Projects Corporatisation Charter sets out the elements to be considered and procedures to be implemented for corporatisation. A set of criteria for local management (including the time frames to consider proposals such as your own and the right of the SWP Board to respond) is included in this arrangement.

In view of the above, it will not be possible to formally progress your submission for local management until the corporatisation of SWP is complete. In the meantime there are a number of issues raised by the ILMC proposal, which will require further clarification so that your proposal can be assessed against the criteria in the Charter.

These are:

- Specific explanation and comparison of where the scheme costs under the new entity would be better than the current level and how this difference is achieved.
- A more detailed explanation of the intentions of the new entity in relation to existing State Water Projects staff, (field, regional and corporate).
- Whether the ILMC has taken advice on such issues as taxation and possible capital structures and the results of that advice.

Enquiries to: Lee Rogers General Manager WIPD Your Ref: Our Ref: DG8373/00
Mineral House, 41 George Street, GPO Box 2454, Brisbane Q 4001
Telephone (07) 3224 2411 Facsimile (07)3224 2245

- Any information that ILMC might have available which would allow comparison of implementation of user management in other jurisdictions with Queensland circumstances and in particular to the BRIA.
- Clarification of compliance arrangements with the proposed *Water Act 2000* in relation to operation as a Category 1 "Water Board", including the commercialisation requirements attached to such bodies (eg Minister's involvement in the commercialisation charter, appointment of directors, annual performance contracts etc.).
- The role of Customer Councils (as prescribed in the Corporatisation Charter) under the ILMC in achieving similar objectives to user management.

Your comments in relation to the above would be appreciated so that initial consideration can be given to your submission. This will enable the Government to respond on matters which would need to be addressed by your Committee when a formal submission is lodged based on the criteria included in the Corporatisation Charter. For your information, a copy of the relevant sections of the Charter are attached.

Yours sincerely



T Hogan
DIRECTOR-GENERAL

Att

Corporatisation Charter for *State Water Projects*

3.3 Business Structure

The corporatised SWP be established as a Statutory GOC with two subsidiaries, Eungella Water Pipeline Pty Ltd and North West Water Pipeline Pty Ltd.

While the internal governance of the corporatised SWP is essentially an issue for the Board, the corporatised SWP will be required to report to shareholding Ministers on the following business activities:

- SWP Consolidated;
- water supply services;
- engineering services; and
- operation and maintenance services.

The corporatised SWP is also be required to separately report on the performance of the Eungella Water Pipeline Pty Ltd and North West Water Pipeline Pty Ltd.

3.4 Customer Councils

A corporatised SWP will be required to establish customer councils by within six months of the date of corporatisation.

The Customer Councils will be established to provide comment and advice to the Board of the corporatised SWP on the operation of regions and individual schemes. Customer councils should be given the opportunity to provide input on a range of strategic matters including:

- business planning;
- negotiation of Customer Service Contracts;
- customer service and asset performance standards and asset management plans;
- the prioritisation of SWP's asset investment and refurbishment programs for various schemes;
- developing communication strategies and participating in communication between SWP and customers; and
- other customer service issues that come to the Council's attention.

Consideration will need to be given to the manner in which the Customer Councils are selected, whether by an election process or through other means.

The Board of the corporatised SWP should have regard to the recommendations of the Customer Councils to the extent possible consistent with its mission and objectives, including within the pricing constraints imposed through price paths. However, directors of the corporatised SWP will not be required to have regard to any recommendations made by Customer Councils that would require the Board to breach its responsibilities under the GOC Act or which conflict with the Statement of Corporate Intent agreed by Shareholding Ministers.

SUBMISSION
TO THE
QUEENSLAND PUBLIC WORKS COMMITTEE
ON
THE BURDEKIN RIVER PROJECT

2ND NOVEMBER 2001

South Burdekin Water Board

28 Ninth Street, PO Box 376, Home Hill. N.Q. 4806

Telephone (07) 4782 1703

Fax (07) 47822039

E-mail sbwb@bigpond.com

GROUND WATER REPLENISHMENT SINCE 1966

BRIEF BACKGROUND

- South Burdekin Water Area is approximately 28,000 hectares
- Location – South side of the Lower Burdekin Delta.
- Part of Lower Burdekin Delta Aquifer Recharge Scheme
- Established by Queensland Legislation 31 March 1966
- Administered by a Statutory Board for Public Benefit
- Industry financed and locally managed at no cost to Government
- Function and Purpose, “to utilise part of the flow of the Burdekin River to replenish the subterranean Water Supplies of the Southern part of the Burdekin Delta and to thereby increase the quantity and improve the quality of the supply available from this source for irrigation, domestic, stock and industrial purposes”.
- Successful operation since inception
- Registered Service Provider under Water Act 2000
- South Burdekin Water Area (See attached drawing AP6512)

SBWB RELATIONSHIP TO BURDEKIN RIVER PROJECT

- The Burdekin River Irrigation Area borders South Burdekin Water Area on its Southern and Western Alignments
- Agricultural Development within the Burdekin Delta provided production basis for developmental considerations of the Burdekin River Project
- A drive for a more constant supply of river water to service Lower Burdekin Development gained momentum from South Burdekin Water Board Office during 1970's. Firstly with Urannah Dam Committee, then Burdekin Water Resources Development Committee and finally The Townsville Burdekin Regional Water Committee which successfully convinced the Commonwealth Government in 1979 to finance the Burdekin River Project.

Page 3 of 5

BENEFIT OF PROJECT

There is no doubt, that since construction of the Burdekin Falls Dam the South Burdekin Water Board recognizes a benefit to the Burdekin Delta Aquifer Recharge Scheme in moving from "run of the river" operations to a more constant supply of river water available throughout the year from one wet season to the next.

Consequently, improved supply of river water has certainly contributed to expansion of irrigated production within the South Burdekin Water Area since the Burdekin Falls Dam released water in 1987.

ADVERSE EFFECT OF PROJECT

Unfortunately, I regret to advise on behalf of my Board that a down side to these benefits exists which is more the issue of Item (f).

The Burdekin River Delta as part of the Barrier Reef Coast is focus for increasing interest from domestic and international environmental groups, particularly in relation to runoff of sediment and nutrient. New Water Resource Legislation reflects these environmental concerns and places increased pressure on all water users from the Burdekin River Project.

Regulated river water from the Burdekin Catchment via the Burdekin Falls Dam carries a high level of fine sediment load (turbidity), which adversely impacts and is detrimental to the Boards aquifer recharge operations. Turbidity clogs riverbed sands, artificial recharge pits and in channel intrusion areas, and also contributes to silting of natural lagoons and waterways replenished by the scheme. Furthermore, this fine water borne sediment has also proved very costly to the Board in maintenance of pumps and water meters where turbid water connects with moving parts.

Page 4 of 5

WATER PRICE

In 1992, this Board negotiated Water Allocation from the Burdekin Falls Dam with the Queensland Governments' Water Resource Department (Now Department of Natural Resources & Mines), in good faith, based on scheme data and the Projects Charter.

The Board accepts charges for regulated flow from the Burdekin Falls Dam Storage, however as the cost of the Burdekin Falls Dam was written off by the Commonwealth, considers that these water charges should not reflect Capital Contribution or any costs for works downstream of the Dam relative to the Burdekin River Irrigation Area or ancillary schemes such as Townsville Water Supply.

The Board asserts that the Riparian River Rate per megalitre to the Board as a bulk user should only reflect 'fair and reasonable' costs of operations and maintenance for Dam Storage Release.

In conclusion, my Board supports representations made by the Burdekin Shire Council to have public hearings held in the Burdekin after close of submissions.

Yours faithfully,



WC Lewis
Manager
South Burdekin Water Board

**The
Burdekin River Irrigation Area
Committee**

141 Young Street
AYR QLD 4807
Telephone: (07) 4783 4800

PO Box 957
AYR QLD 4807
Fax: (07) 4783 4914

20th April 2001

The Honourable Stephen Robertson
Minister Natural Resources & Mines
GPO Box 456
BRISBANE QLD 4001

Dear Minister

I wish to thank you on behalf of Burdekin Irrigators for taking the time to meet with us to discuss our concerns and for the open-minded and frank approach you brought to those discussions.

We were encouraged by the importance you attached to the role of Customer Councils and the need for those Councils to operate with real irrigator involvement and input. You were also prepared to consider Customer Councils having a direct link to the Minister and the Board of SunWater, a requirement we feel is essential if these Councils are to be effective.

We appreciated that you recognized the need to correctly apportion the Part A & Part B Tariff of our water charge and the role these tariffs play in achieving Water Use Efficiency. Irrigators in the BRIA should be encouraged to fully utilize the groundwater supply if we are to prevent rising groundwater tables and associated salinity problems.

Minister, the one issue we were unable to resolve at our Meeting was the dispute between SunWater and ourselves in relation to our current water charges although we both indicated our desire to resolve the issue as soon as possible.

We offer the following proposal as a genuine attempt on our behalf to settle the water pricing issue.

The components of our Proposal are:

- (1) BRIA Irrigators immediately cease all protest action and pay all amounts that have been withheld from SunWater.
- (2) Water charges in the Burdekin be capped at \$2/ML above full cost recovery (lower bound) as indicated by the Water Reform Unit for the 2001-2002 water year and beyond until such time as all schemes in the State achieve the Lower Bound.
- (3) Should the efficient cost of providing water in the Burdekin exceed the capped charge, Irrigators agree to pay the agreed efficient cost.
- (+) At such time all schemes in the State have achieved the Lower Bound, negotiations may then take place between Government, Water Providers and Irrigators on a State wide basis as to future water pricing levels.

We sincerely hope you will see this as the basis for an acceptable solution. There are other Natural Resource Management issues particularly in relation to rising groundwater tables and potential salinity problems in the Burdekin that we are eager to discuss directly with you, Minister. It is essential we achieve the right balance between groundwater and channel use and this could have implications for SunWater or any other competitive Water Providers.

We believe it will require your involvement to achieve a satisfactory outcome and would welcome the opportunity to discuss this important matter and our water pricing proposal with you at the earliest opportunity.

Yours sincerely

RK McNee
CHAIRMAN

Council backs local irrigators

ADVOCATE
NEA
JUNE 20
2001

BURDEKIN Council has lent its support to BRIA irrigators who are challenging Sunwater water prices.

Councillors voted last Thursday to assist irrigators in their plight to oppose 'unjustly' high prices by writing letters to the State Government, the National Competition Council and other core groups.

They made the decision after being addressed by BRIA irrigators representatives Russ McNee and David Cox.

Mr McNee called upon councillors to support irrigators 'if you believe we've got just cause'.

Although irrigators have been vocal in their protests, Mr

McNee said it had become apparent they needed to broaden their support base to apply more pressure to Sunwater.

"The whole community is adversely affected by the situation," he said.

He predicted between \$2.5 and \$3 million was lost to the community each year because of the excessive water charges imposed by Sunwater.

He and Mr Cox told councillors Sunwater was a 'grossly inefficient' organisation, which Burdekin irrigators were being expected to prop up.

Mayor John Woods told councillors he agreed Sunwater's overcharge for

water indirectly impacted on the community.

"If the community is losing money to the government, it's certainly not getting it back from the government," Cr Woods said.

Cr Lou Loizou said he believed Sunwater should be made to conform with National Competition Policy and reduce its water charges in the Burdekin.

Councillors were told by Mr Cox, an investigation by the Water Reform Unit had shown Burdekin irrigators were being charged \$39 a megalitre for water, when the resource could be efficiently delivered to them for \$28 a megalitre.

Letters to the Editor

Letters are 'misleading'

SIR—BRIA irrigators and the Burdekin community will be concerned that letters from Sunwater, the Minister for Rural Resources and Mines Stephen Robertson, and the Member for Burdekin Steve Rodgers were obviously generated by the same office and by the same author, despite the fact they had three individual signatories.

Our response is that all three letters would have been an excellent response to irrigators in schemes which aren't meeting the full cost of providing irrigation water, but are hopelessly inadequate in addressing the concerns of BRIA irrigators who are paying 30 per cent above the efficient cost of providing irrigation water in this district. Burdekin irrigators are subsidising Sunwater by about \$3 million per year and when that amount is being lost to the Burdekin community each year, it is incomprehensible that our local member would state that there is no adverse effect on the Burdekin community.

The statement made in all three letters—that the State Government, not irrigators, is funding the difference between current Sunwater costs and the efficient costs—is totally incorrect.

Burdekin irrigators are being asked to find the \$3 million difference despite assurances to the contrary in government policy brochures issued to BRIA irrigators. This is what is at the heart of the dispute. We can only assume that the letter-writers do not fully understand the issues as they relate to the Burdekin or are trying to confuse the public with misleading statements.

Sunwater's offer to waive penalty interest, provided withheld payments are made by June 28 was soundly rejected by irrigators. Just as Sunwater and Minister Robertson rejected Burdekin irrigators' offer to pay all withheld monies immediately, provided water charges were based on efficient costs for the 2001-2002 water year and beyond.

The Minister and Sunwater appear determined to selectively extract millions of dollars each year from the Burdekin community, with the only justification being the Minister's explanation that he was not prepared to interfere with the Queensland Budget's bottom line.

Local member Steve Rodgers appears prepared to support this discriminatory approach.

Sunwater's offer to refine the two-part

tariff structure on a revenue-neutral basis would require that the Part A and Part B tariff accurately reflect the efficient fixed and variable cost of providing water.

This would resolve any dispute between Sunwater and irrigators.

The Queensland Government makes much of the fact that it is simply complying with requirements of Rational Competition Policy but, conveniently, forgets to add that the full efficient costs BRIA irrigators are prepared to pay fully comply with NCP guidelines and that the additional charge of \$8 per megalitre is only a requirement of the State Government and Sunwater.

In normal circumstances, irrigators would have the right to appeal the unjustifiable charges to the Queensland Competition Authority (QCA), a body specially created to oversee the implementation of National Competition Policy in Queensland.

In a blatant disregard for irrigators' rights, the State Government has legislated to exempt Sunwater's rural water pricing policy from the QCA's scrutiny.

Governments can't have it both ways. They cannot use National Competition Policy to increase charges where the policy implementation results in an increase and

then deny the rural communities a reduction in charges where that is the result of the policy implementation.

Irrigators are prepared to consider compromise to resolve this issue and have already made that offer, but we will not be bullied by a State Government determined to protect its latest creation (Sunwater) at all costs.

We are determined to protect the ability of irrigators to remain viable and internationally-competitive and have joined with irrigators from other districts to establish a fighting fund for this very purpose.

We find it very disappointing that despite having the support of the Burdekin Council, the Burdekin Development Council and the Agr Chamber of Commerce, we don't appear to have the support of our local member.

RUSS MCNEE
BRIA Irrigators

Minister understands concerns of irrigators

SIR— I refer to your editorial of June 8 regarding water pricing.

I have met with irrigators, including Burdekin irrigators, over the past month and listened to their concerns about this issue.

The Queensland Government has carefully worked through the reform of the water industry as required by the National Competition Council. The efficient ongoing costs of operation and refurbishment—that is, lower bound—costs have been set, where prices were already above lower bound, such as in the Burdekin, no price rise was sought.

Where prices do not meet these lower bound costs, schemes have been allowed up to five to seven years to achieve cost-recovery.

During this time, the difference between the price paths and the lower bound is being fully funded by the government.

The State is also bearing the cost of existing inefficiencies in scheme operations.

An independent review of the efficiency of SunWater's costs will be undertaken in three years time.

To assist irrigators to reduce ongoing water charges, I have directed my department to make available interim arrangements for permanent water trading as soon as possible.

In addition, the government has implemented a \$41 million Rural Water Use Efficiency scheme, offering landholders financial assistance to achieve best practice irrigation water management and thus reduce their water costs.

Water is a precious, finite resource that must be used in the most efficient, cost-effective way possible.

I understand irrigator concerns about how the reform of the water industry is affecting them and can assure them that the government will continue to do all it can to reduce the impact of these reforms within the boundaries set by the National Competition Council.

STEPHEN ROBERTSON MP
Minister for Natural Resources and Mines

'No effect' on economy from water price policy

SIR— The Queensland Government has carefully worked through the reform of water industry policy, legislation and institutional arrangements as required by the National Competition Council.

The efficient ongoing costs of operation and refurbishment have been determined and where prices are already covering those costs, no price rise was sought.

In the case of the Burdekin scheme where prices are already above the lower bound and are fundamentally unchanged from previous levels, there may be an opportunity for some refinement of the tariff structures, but that refinement must be revenue neutral.

In this regard, the Minister has stated in a recent article in the *Queensland Country Life* that the government is unable to move from the published prices and he will not resist from that decision.

In addition, the Treasurer and the Minister, as shareholding ministers for SunWater, have recently written a comprehensive letter to Burdekin River Irrigation Area Irrigators Committee setting out the facts of the matter and strongly urging the committee to support the customer councils established by SunWater and work with SunWater to achieve successful outcomes.

As to whether I have a solution to the current situation in the Burdekin, I can only reiterate what the Minister has said in media interviews and in the recent letter to the irrigators' committee—that the government is standing by its policy de-

cision on the price paths for schemes across the State and the responsibility for implementation of those price paths rests with the SunWater board.

Under its charter, SunWater is establishing customer councils and these councils provide the opportunity for two-way communication between SunWater and its customers. I would encourage the Burdekin farmers to make the best use of these councils.

As I mentioned above, across an average of seasons and water use, the Burdekin scheme water prices are fundamentally unchanged from the previous pricing regime. Therefore, there should be little if any adverse affect on the Burdekin economy.

With regard to SunWater's treatment of efficiencies, I must point out that the difference between the current SunWater costs and the efficient ongoing cost of operation and refurbishment is not being borne by the farmers but is covered by the government paying to SunWater a Community Service Obligation (CSO), part of the total \$33m CSO over the five year term of the price paths.

As part of its ongoing planning, SunWater is required by the government to find efficiencies of up to 15 per cent across its schemes over the life of the existing price paths.

As I mentioned before, farmers may be able to gain some benefit from these efficiencies through effective interaction between the customer councils and

SunWater. However, such pricing benefits would need to be cost neutral across the scheme.

I am sure that you will agree that no one wants to resort to court action to resolve these matters, nor does the government want to force farmers off their land. As I mentioned in the letter to the irrigators committee, SunWater has agreed to waive penalty interest accrued as a result of customers withholding payments, provided those payments are received by June 28, 2001.

Finally, I would add that all governments across Australia have committed to the reform of the water industry and the present water pricing regimes are important elements of that reform agenda.

The State has argued strongly with the National Competition Council to avoid financial penalties and as a result, water prices increases that should have occurred in 2001 have been delayed for us to five years.

These concessions were significant gains for the State and have enabled the government to successfully reduce the impact of water industry reform on rural and regional Queensland.

STEVE RODGERS
Member for Burdekin
Editor's note: This letter was in response to questions put to Mr Rodgers by The Advocate.



To the irrigators in the Burdekin

An open letter from SunWater

Dear Irrigators

SunWater is keen to work with irrigators through the current impasse over water charges and create a positive business relationship with its customers.

In the Burdekin, SunWater is prepared to work through Customer Councils to refine the existing "Part A" and "Part B" tariff structures on a revenue neutral basis.

As a sign of good faith, SunWater is also prepared to waive penalty interest accrued as a result of customers withholding payments, provided payments are made by 28 June 2001.

The Queensland Government had to determine the ongoing costs of operations and refurbishments. Where the price was already covering these costs, there have been no price rises.

For other schemes, a price path was put in place to achieve cost recovery over a five to seven year period.

During this time, the difference between the price paths and the lower bound is to be fully funded by the Government at a cost of \$35 million over five years. Furthermore, it is the State, not irrigators, bearing the cost of existing inefficiencies in the scheme operations.

SunWater also undertakes to:

- develop a Customer Service Charter to clearly outline our commitment to users;
- engage an independent facilitator during negotiation on any Service Charter issue, should the need arise;
- provide reports to Customer Councils regarding the progress towards efficiency improvements; and
- clarify the dispute resolution process.

SunWater.



BRIA Irrigators

To Sunwater in Brisbane

An open letter from BRIA Irrigators

Dear Sunwater

Irrigators are keen to resolve the current impasse over water charges. This will require a degree of compromise from both parties which has already been offered by BRIA Irrigators. A similar response from Sunwater would certainly create an improved business relationship between Sunwater and its customers.

In the Burdekin, Sunwater would need to refine the existing "Part A" and "Part B" tariff structures so that they accurately reflect the efficient fixed and variable costs of providing irrigation water in this scheme. This would effectively end any dispute in relation to water charges between Sunwater and its customers.

As a sign of good faith, irrigators in the BRIA were prepared to immediately pay all monies that have been withheld, provided water charges from next water year and beyond were reduced to the efficient cost identified by the Old Government's Water Reform Unit. This offer was rejected by Sunwater and your subsequent offer to simply waive penalty interest was rejected by 260 irrigators at a meeting on 31st May, 2001.

The cost difference between the price paths and the lower bound may be fully funded by the Government in other schemes but not in the Burdekin.

Furthermore, it is Burdekin irrigators, not the State, bearing the cost of existing inefficiencies in the scheme's operations and this is what our community can no longer afford.

Sunwater should undertake to:

- develop a Customer Service Charter to provide water to customers at the efficient cost determined by the Water Reform Unit
- engage in genuine negotiations with their customers to resolve irrigators' concerns.
- provide reports to Customer Councils that clearly indicate a preparedness to be accountable and transparent in relation to the costs of operating the scheme
- allow those schemes that indicate a desire to move to local management to do so, therefore complying with National Competition Policy Guidelines.
- Replace "deemed" contracts between irrigators and Sunwater with a genuine contract which provides equally for both parties

**BRIA
Irrigators**

BRIA Irrigators

Phone Classifieds 1800 019 232

The Ayr Advocate Friday, June 22, 2001 Page 7

DRAFT FOR COMMENT
Russ.

10th July 2000

Mr Terry Hogan
Director General
Department of Natural Resources

Dear Sir

USERS

The Burdekin Interim Local Management Committee (ILMC), which represents water ~~users~~ from the Townsville/Thuringowa Water Board, the North and South Burdekin Water Boards and the Burdekin River Irrigation Area, met with the Water Reform Unit (WRU) on 20th June 2000. At this meeting, the WRU presented Price Paths for the Burdekin Scheme, which were to be recommended to Government as the basis for water charges for the years 2000/2001 to 2004/2005.

The ILMC, on behalf of the water users, advised the WRU that it was unable to accept the Price Path as presented and that users were only prepared to pay full cost recovery based on efficient management of the Burdekin Scheme.

As you are aware, the Burdekin ILMC has forwarded a submission to Government seeking approval to move to local management and establish a Category 1 Water Board which would be responsible for the delivery of both the bulk and retail water functions. + Our submission identifies substantial efficiency gains and regional benefits that can be achieved as a result of local management, however, we realise the transition will not occur immediately and in the interim, request that water charges in the Burdekin Scheme for 2000- 2001 be limited to what is required to meet full cost recovery as identified by the WRU in its Price Path.

Yours Sincerely

Russell McNee
BURDEKIN ILMC

[Handwritten signature]
Russell McNee
ILMC

South Burdekin Water Board

28 Ninth Street, PO Box 376, Home Hill. N.Q. 4806

Reference:WCL:BRB:3344

28 March 2000

Mr S Edwell
Queensland Water Reform Unit
Department of Natural Resources
GPO Box 2454
Brisbane Qld 4001

Dear Sir

I refer to your letter and copy of the exposure Draft Water (Allocation and Management) Bill December 1999, and take this opportunity to thank you for arranging a closed Water Board discussion session at the Water Reform Workshop held in Townsville 8th March 2000.

A majority of my Board Members travelled to Townsville to be present for explanation of their particular questions put forward during prior Board discussion. Given the timeframe available, I must acknowledge that at the end of the day, some members felt more comfortable with the Reform Unit's interpretation of how Rural Water Providers would fit proposed model structures and this is a positive for how the session was conducted. Quite apart from this understanding of the reform process, Members remained unconvinced that the Board's unique function and purpose has been fully considered.

Briefly, this Board was constituted by Order in Council dated 31 March 1966 for the purpose of conducting replenishment activities in relation to underground water on the southern side of the Burdekin River Delta. That area is known as the South Burdekin Water Area and was delineated pursuant to the Water Act 1926 (Qld) (the 1926 Act). The replenishment activities have two goals:

- (a) Increase the quantity of water in the aquifer; and
- (b) Improve the quality of the water in the aquifer.

Such water is available for use for irrigation, grazing, industrial and domestic purposes.

Board Policies remain consistent with the purpose for which the area is constituted.

I provide summary of five principles for your information. These points evolved from Member's concerns raised from the Draft WAM Bill and were made available to the Reform Unit prior to the 8th March:

(a) The need to recognise in the Bill, that existing schemes have been built for specific function and purpose, and that generally they don't have physical capability to deliver end-user water allocations on demand, or to create tradeable water products without detriment to the natural resource! (in the SBWB's Case, the aquifer)

(b) The need to address management of established schemes having particular regard to statutory needs, with autonomy as a priority!

(c) The need to recognise that successful schemes do exist without encumbrance on State Government to perform. Schemes such as the SBWB seek to have autonomy and entitlement or right to water recognised and preserved.

(d) The need to recognise water table management as a necessary principle for the water reform process.

(e) The need to recognise area specific constraints and practice rather than proposed enabling generic type legislation possible by this Bill. This draft bill should reflect an approach to legislation which is robust enough to handle recognition of existing practices, to guide natural resource management, and to provide provisions where diversity is recognised, and where continuous improvement and review are adopted as necessary principles toward what is trying to be achieved. (the reform process)

We have recently revisited the Draft Bill once more and members are of unanimous view that activities of this Board appear at odds with explanations given on the 8th March and the Exposure Draft. In particular, Parts 11 and 12, pages 119 and 120 need to be clearly spelt out.

On behalf of my Board, I acknowledge that the draft represents major reform process designed to meet National Competition Council assessment of the Queensland Governments progress toward implementing COAG and NCP Water Reforms.

However, as elected representative of a major Queensland locally managed Rural Water Board, I convey the deep concerns of my Board that the reform process you propose does not go far enough to address the principles we have put forward, or to remove impediments to transfer operational responsibility for management of irrigation areas from the state to local bodies.

It is our view that guidelines for the implementation of Reform Process (and I refer to one area in particular - resource management constraints), should be enshrined in legislation and not open to popular theory type regulation process which appears to provide opportunity for mischievous interpretation and may foster continuation of a Government monopoly situation. It is essential that the Water Industry moves ahead and gets on with its core business guided by good, well thought out legislative parameters that are unambiguous and can be clearly understood.

I enclose a copy of the most recent Board's Annual Report and a brief overview of the water area for your personal information, so that you may gain some understanding of this unique system and proven management of its complexities.

Furthermore, I urge you to seriously consider what is being conveyed here! Local People can successfully deal with local situations. Paramount to success of our scheme is without doubt the self-help, working together ethic with community well being and natural resource sustainability the driver.

My Board is considering submission to the Minister of Natural Resources at next month's Country Cabinet Meeting in Proserpine. Consequently, there is opportunity for you to respond prior to that date.

I look forward to your reply.

Yours faithfully
South Burdekin Water Board

LA Rigano
Chairman