



Bundaberg Sugar Ltd  
ABN 24 077 102 526  
4 Gavin Street  
Bundaberg Qld 4670

PO Box 500  
Bundaberg Qld 4670

Tel: +61 (0)7 4150 8500  
Fax: +61 (0)7 4150 8522  
[www.bundysugar.com.au](http://www.bundysugar.com.au)

5 August 2010

Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001  
Fax: (07) 3222 0599

Dear Sir

**Re: Water Pricing Submission**

By way of introduction, Bundaberg Sugar Ltd (BBS) is the largest miller of cane grown in the Bundaberg region, refines and markets domestic sugar, sells molasses and manufactures milling equipment in addition to being the largest Sunwater customer and producer of cane in the Bundaberg Irrigation Scheme area.

BBS has become aware that QCA officers are meeting with representatives from a limited number of peak bodies to discuss the content of the discussion papers before their release. We are concerned that there may be undue influence by a select few and would hope that the papers will not be amended because of this process. From past experience, we have found that the representatives from some peak bodies are not irrigators and do not understand or represent the views expressed by the majority of Bundaberg scheme irrigators. This is understandable considering the complexity and diverse nature of the Bundaberg Scheme.

BBS has also become aware of a Sunwater Bundaberg Irrigation Area water pricing submission which appears to raise a number of socio-economic issues that appear to be outside the scope of the gazetted referral notice. While uncertainty remains regarding the QCA response to this submission, BBS wishes to present its position on a number of the matters raised.

BBS believes that:

- QCA should not recommend prices which manipulate the market forces that ensure land and water are used for the highest value crop.
- It is essential to recognize the pricing rules agreed in the National Water Initiative (NWI).
- The Bundaberg Irrigation Scheme is no longer a cane only scheme. BBS agrees that a large proportion of the water was used on cane in earlier years. However, the submission being questioned here fails to acknowledge that use on other higher value and usually more profitable crops have increased significantly. The submission also fails to acknowledge that this change of land use has occurred unevenly across the irrigation area as land price, soil type and land suitability dictate where other crops are grown.

- Sugar milling is now a deregulated industry. When the scheme was established, sugar was a regulated industry with cane being assigned to particular mills. This is no longer the case. There is competition between mills for cane supply and BBS has suffered a reduction in cane supply (this cane is now crushed at Isis Mill) and profitability as a result. One of the three Bundaberg mills has closed as a result. It is incongruous that an Isis Mill supplier and shareholder is now seeking to have government protect its cane supply via an energy cost cross subsidy from Bundaberg Mill suppliers within the irrigation scheme.
- A substantial proportion of Isis Mill suppliers, especially river irrigators are disadvantaged by the present pricing policies.
- Most irrigation schemes operate on gravity (free movement of water) or energy (electricity) makes up a relatively minor portion of the total delivery cost. Bundaberg is very different with high lifts to sections of the scheme. It is worth noting at this point that the Minister's referral notice in section 1.2 specified that a different approach be taken in other schemes where high energy costs are incurred e.g. Redgate Relift in Barker Barambah and Channel Relift in the Mareeba Dimbulah WSS.

With respect to postage stamps we agree that the the cost of a stamp to post a personal letter is the same no matter where it is posted , however, we also point out that bulk parcel postage costs are based on volume, weight and distance. Perhaps bulk water should be treated like parcel post?

In our view the rational approach is to implement:

- (a) nodal point pricing for energy on the channel systems
- (b) lower bound pricing for river allocations where users have to meet their own energy and infrastructure costs; and
- (c) offset the high cost areas with a Government funded Cross Subsidy Obligation.

Yours faithfully,  
**Bundaberg Sugar Ltd**



**Ray Hatt**  
General Manager Bundaberg Operations