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Second Submission into QCA Water Pricing Review – St George Water Supply Scheme

Following the QCA's recent analysis and publication of SunWater' Network Service Plans, I wish to make comment on several findings from the analysis commissioned by the QCA. I do have serious concerns about the quality of the financial data SunWater has released to the QCA and the secrecy about which this process has been conducted. I fail to comprehend how financial data that could be easily explained and interpreted in the past two price paths of 2001 and 2006 is now either 'lost' or not available from the SunWater financial control system. In the 2001 price path, it was recognized that the accounting system was inadequate and had to be modernised, yet it seems to have only got worse in the past 5 years, to the point where the QCA consultants have been unable to determine the outcome of their investigations. If SunWater cannot produce an accurate report on their costs on each scheme, their financial management must be so inept that they would have no ability to manage project costings or budgets. Not only is this clearly unacceptable, but I believe is part of SunWater deliberate efforts to avoid scrutiny and accountability.

HEAD OFFICE CHARGES

The analysis conducted by State Water Projects (the predecessor to SunWater) consultants Earnst & Young and GHD in 2001 determined that the efficient Head Office Charges attributed to the St George Scheme be $399,367 per annum (see Appendix 1). This figure was to be achieved following a 20% improvement in efficiency between the 2001 and 2006 price paths. The 2011 Deloitte study commissioned by the QCA found head office charges attributed to this scheme is now a staggering $1,588,000 per annum. This massive increase cannot be justified. St George irrigators must not be held financially responsible for such massive blowouts in costs, or of SunWater inability to manage its budget.

ANNUITIES

In the same reports of 2001 it was determined that an annual annuity of $652,969 (see Appendix 1) was required to fully maintain and upgrade the irrigation scheme. Despite this, in 2006 the annual annuity was increased by more then $1,000,000 to $1,697,000 for the scheme. The 2011 GHD analysis commissioned by the QCA shows that in 2006 the annuity's balance for the St George Irrigation Scheme to be $1,294,999 in surplus, proving that through the previous price paths there was adequate provisions being made. GHD have also determined that by 2012 the annuity's balance will be $2,075,000 in deficit. Yet there has been no significant change in the annuity program or budget that has been bought to the attention of the St George Customer Council or to any stakeholders in thê system.

GHD analysis shows that some of this enormous blowout in expenditure was due to the installation of a permanent pump station and modifications to the Thuraggi Outlet in 2007. This expenditure was fully funded in 1989 through the public auction of new water licenses, with the proceeds to be spent on the stated infrastructure to allow access to the water that the licenses were sold from (see attached hansard extract Appendix 2). The GHD report also show a massive blowout in expenditure due to 'Fencing and repairs to crossings'. None of these costs have ever been bought to the attention of or sought comment from the Customer Council or of any customer stakeholders. The St George Customer Council has met only twice in the past 3 years. The minutes of these meetings that are available on the SunWater web site makes no mention of these unfounded projects. The Customer Council Charter states that these councils are there for

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this very reason. It is unacceptable for St George Irrigators to again wear the cost of SunWater' inability to manage its budget, refurbishment program or costs. Provisions made for refurbishment of the scheme under previous price paths are more then adequate, if SunWater cannot work within the given parameters then they should not be given the task to operate the scheme.

REFURBISHMENT PROGRAM

There is much secrecy surrounding the SunWater planned 25 year maintenance and refurbishment program and its associated costs, such that QCA's own consultants must sign confidentiality documents to sight these plans. Local customers and stakeholders are no longer allowed to view or make comment on required projects to SunWater, yet it appears they are demanding we pay all the costs of this whether they are delivered on budget or not. I have enormous concerns that desperately required projects such as the reinstatement of flood protection gates and the maintenance of Thuraggi Watercourse are being ignored by SunWater in preference to 'pet' projects of Brisbane based managers. I am appalled that the ongoing dispute between DERM and SunWater over responsibility of the maintenance of Thuraggi is still unresolved, despite repeated assurances over the past 12 years that all issues regarding the watercourse would be fully resolved in the near future. I call on the QCA and Government to direct both parties to resolve this issue before any new price path is implemented.

FIXED vrs VARIABLE COSTS

Reports conducted in 2001 state the breakdown in fixed vrs variable costs at 68:32 for the St George scheme. Given the fundamental nature of the scheme has not changed, there can be no argument that this ratio has now changed to 95:5 as claimed by SunWater.

Thank you for the opportunity to forward my feedback on your analysis on the NSP's. I look forward to participating in the next round of consultations later in the year.

Regards,

[redacted]

Appendix 1

QUEENSLAND WATER REFORM UNIT

St George Irrigation Project

Efficient Scheme Cost Comparison

	1999/00	Efficient Cost	% Reduction
Corporate Office	$ 499,411	$ 399,367	20%
Operations and Maintenance	$ 751,257	$ 667,587	11%
Renewals Annuity	$ 652,969	$ 643,105	-
Water Business Management	$ 396,062	$ 340,614	14%
Actual Costs	*$ 2,299,700*	*$ 2,050,673*	11%
Other	*$ 69,672*	*$ 42,117*	-
Estimated Total Costs	**$ 2,369,371**	**$ 2,092,789**	**12%**

Appendix 2

with that. No-one approached me and said that they did not want vendors. Plenty of people still wanted vending to continue.

Mr Casey: No-one said you were involved in it.

Mr BOOTH: I am glad that the Minister did not. I just want to make it clear that I was not involved in it.

I want to say something about the reduction in the budget of the Minister's department. I agree with the Minister that by good management perhaps some of the monetary downturn can be overcome. However, after this year I think the Minister will probably find it a bit stringent. I cannot see any use for an extension officer if he does not have a travelling allowance so that he can go out and inspect a crop and report on it and cannot communicate with the farmers who are growing it. Although I do not say that the Minister cannot succeed with what he has got, I put on record that I am disappointed with it.

I want to make a couple of comments about water supply, in particular the auctioning of water allocations. The Minister made the statement that in any new projects the people receiving the water will have to pay back the capital cost——

Mr Casey: No.

Mr BOOTH: The Minister will have a chance in his reply to tell me what he did say. I will be very interested to hear it. The Minister said something like that.

In regard to the auctioning of water allocations, the annual report of the Water Resources Commission states—

> "This initiative is expected to be the first of a regular series of auctions of water allocation in other parts of the State when further supplies become available. Not only does the auction process provide a fair basis for distributing limited volumes of allocation, but it also secures an enhanced return to the community of a portion of the capital invested in such projects."

Just above that paragraph in the report, it states—

> "In November 1989, the first auction of water allocations in Queensland was held at St George. This auction of 3000 ML of allocation raised $1.159 million which will be used in part to construct a major pump station on Beardmore Dam to secure these supplies."

It then goes on to talk about the Burdekin sale.

As far as I am concerned, if the Government is going to auction everything and give it to the people who have the money, farmers like me, when I started, will never get a go. With all due respect, I do not think that this is Labor Party policy. I would be surprised if it was. I have never noticed it before.

Mr Stephan: This is a new Labor Party.

Mr BOOTH: That is what I am beginning to think.

The Minister's initiatives in regard to the conservation of land appear to be good ones. However, if the farmers are short of money, they will have a job to meet the requirements.

I want to say a few words about the Minister's team, which is headed by Jim Miller. No doubt he is an intelligent person. He first saw the light of day in Warwick, which seems to be a great help. He is good; everyone knows that. Many of the people who work with him are good people, too. I am sure that the Minister has a pretty good team. I have faith in them.

Before I resume my seat, I want to say that the main thing wanted by the people experiencing the rural crisis is money at concessional rates of interest. They want a lender of last resort to avoid having their farms sold. If too many farms are put on the market at the one time, the price of land will crash. The Minister should do something