MARYBOROUGH SUGAR FACTORY
SUGAR MILLERS & GROWERS

20th April 2011

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear QCA

RE: Submission from The Maryborough Sugar Factory Limited on the Lower Mary River Water Supply Scheme Network Service Plan and the Lower Mary Distribution System Network Service Plan.

Transparent costs and the identification of fixed and variable costs

As per our previous submission in November 2010 - the most important thing to know is the costs to be able to align tariffs. This is where transparency is required for the irrigation customer to understand the cost of the water supply scheme. We understand that forecasting irrigation water demand is extremely difficult and variable and that is why it is essential, as with any business, to understand the fixed and variable costs in different scenarios and to price irrigation water accordingly. We do not feel the bulk and distribution NSPs provide transparent costs and clearly identify the fixed and variable costs.

SunWater is proposing the only variable cost is electricity. We do not agree with this and feel other costs would be variable. For example, on our cane farms when irrigation water use is high it results in increased maintenance costs for irrigation systems. We feel this would be comparable with SunWater irrigation schemes and feel some maintenance costs should be considered variable in addition to electricity.

Further investigation of cost forecasts in NSPs

Data Sufficiency

We do not understand why there is information gaps that restrict Aurecon's capacity to validate the prudency and efficiency of OPEX costs presented within the NSP, both historical and forecast expenses (page 4 of Aurecon report). QCA should be able to request a copy of the detailed budget process from SunWater used to formulate the forecast budget/figures presented in the NSPs for the LMRWSS. The higher level figures in the NSP should have detailed workings behind them. If as stated in the NSP (Bulk page 19) the operating expenditure forecasts were developed using a bottom-up approach, by assessing the tasks required and the most efficient method of doing the work and these are embodied in detailed work instructions and operational manuals for the scheme, which are subject to regular reviews. There should be detailed 'ground-up' budgets for the forecast costs presented in the NSPs. We understand for confidentiality reasons irrigators

may not be able to see these workings, however, we request QCA see these detailed workings to ensure efficiency of operations have been considered during the budgeting process.

For example, if you consider the forecast for preventative maintenance in the Bulk NSP there should be justification in the detailed budget process why it has increased from a four year actual average of $12,000 per annum to a forecast of greater than $70,000 per annum (Attachment 1). A 515% increase in preventative maintenance should be able to be clearly explained and justified. Also in the Bulk NSP the labour doubled from $40k in 2009 to $79k in 2010 and this increased labour has been carried through the forecast ($87 to $89k per annum) (Attachment 1). Does the detailed budget process explain why the 100% increase in labour has been carried throughout the forecast? These are just a few examples but there are numerous figures in the forecast/budget that should be able to be explained/justified in greater detail.

Labour – could we please have full time equivalents that were used in the forecast of labour expenses and historical actual FTEs and a justification/explanation for increases in labour? Labour accounts for approximately 28% of costs in forward forecasts (Attachment 3) and has increased 100% in bulk (Attachment 1) and 55% in distribution (Attachment 2) it is felt the increases should be able to be justified and that SunWater would have analysed the changes in FTEs to see why these costs had increased so much.

Internal SunWater Labour costs – MSF provided Aurecon with MSF and Award rates per hour for an electrician, boiler maker and fitter and turner to be able to compare to the internal labour costs that SunWater were charging to the various schemes. MSF do not wish the information about trade pay rates to be made public, however, we hope this information is useful to Aurecon and QCA for determining if labour costs are commercially competitive, as MSF pays well above award rates.

Efficiency gains - Is there any forecast for cost savings with efficiency gains? The NSPs do not demonstrate any significant reduction in costs in the forecast demonstrating efficiency gains, even with a $1.4m negative renewals balance. With the level of capital that has been spent over the years on the LMRWSS then you would anticipate the operational costs to be less as generally greater capital investment results in greater efficiencies and reduced operating costs.

Questions in relation to Bulk operating costs from Aurecon report
Efficient operating costs proposed by NSP $235k current price path average to $286k proposed price path, 17.8% increase (page 42). This does not include the 27% of Owanyilla and Main Roads Channel costs to go into bulk.

What is the reasoning for operating costs not being correlated to water use, even though they were in 2007 and 2008 (page 43 figure 5-2).

What was the substantial electricity cost for in 2007 considering this is a bulk system (page 44 figure 5-3). Was this transferring water to Tinana Barrage from Mary Barrage through the channel system?

Why is preventative maintenance significant from 2011 onwards (page 44 figure 5-3). We are struggling to understand the comment about preventative maintenance labour costs rising exponentially in 2011 (page 47) and that conversations with regional SunWater staff

114-116 Kent Street, Maryborough Q 4650; Postal Address: PO Box 119, Maryborough Q 4650
Telephone: (07) 4121 1100; Fax: (07) 4121 1139; Email: msf@marysug.com.au

highlighted weed control costs were high in 2010/11 due to the extensive wet season experienced. This is the bulk system that is being commented on and in a big wet season floods tend to wash weeds down the river/creek so do not understand what weed control they would be doing in such wet conditions in the bulk system. Please clarify this justification. Also when you look at figure 5-14 on page 52 there is a significant increase in labour and this is not similar to that of 2007.

Why have labour costs almost doubled from $44k in 2007 to $79k in 2010 yet water use is less? (page 45 figure 5-4). In conjunction with this water usage is projected to be lower but labour costs are projected to increase. The report says Aurecon is seeking additional information from SunWater to justify this substantial cost increase, and what additional activities have driven this cost increase.

Aurecon report says of concern is the substantial rise in operation costs from 2008 to 2010 (page 48). We support this concern. A break up of expenditure is presented but the draft report does not justify the increase and if this is considered to be 'efficient'.

We are concerned that Aurecon are saying from their desktop study they not able to identify any potential efficiency gains (page 55). Then there is a discussion in the report on restructuring, use of contractors, office locations etc but if this is the case why are costs increasing? Even though staff may not be solely allocated to a scheme and any employee who does work associated with the scheme would book their time/costs to it. Were these considered to be efficient? Are all of the costs being booked to the Lower Mary bulk scheme necessary for its operation?

Owanyilla Pump Station and Main Roads Channel bulk water function
Page 7 of LMRWSS NSP discusses a proportion of costs associated with Owanyilla Pump Station and Main Roads Channel being assigned to bulk water service as they perform a bulk water function. Hydrological modelling indicates 27% of water transported through the channel relates to bulk water.

Has QCA verified this hydrological modelling for the arrival at the figure of 27%?

Questions in relation to Distribution operating costs from Aurecon report
28.1% increase in operating costs $601k to $770k per annum (page 60). Operating costs alone 248% increase from 2007 (page 67).

What reasoning has been provided for the operating costs for the distribution scheme not being correlated to water use (page 61 figure 6-2)?

The Aurecon report states that it is a concern that operating costs in 2010 and 2011 are approximately 94% higher than back in 2007 (page 61). We support this concern and are interested to see the justification for these increases in the final report.

Labour costs have more than doubled from 2007 (page 62 table 6-1). We really would like to see in the final report the justification for this increase. Is it an increase in labour cost and/or an increase in FTEs? It is noted Aurecon is seeking additional information from SunWater regarding the drivers behind the labour cost increases but I still do not understand with a detailed ground-up budget process how this is not already detailed and analysed by SunWater. Surely a double in labour costs would have been investigated

already if SunWater were operating an efficient business? How can SunWater not provide historical labour cost disaggregation? (page 65).

Labour costs - Figure 6-6 on page 64 shows the breakdown of operations labour costs. How can the scheme support the large amount of labour costs external to the region? –

- 8.1% Health and safety
- 10.8% strategy
- 9.5% corporate counsel
- 32.4% asset management – this is questionable as our renewals are not detailed and quite a few in the next 5 years on the tour with Aurecon and SunWater were identified as either being pushed back or downgraded to refurbishment. This is a massive cost for asset management and we would expect a higher standard of renewals planning with this level of asset management costs in labour. For example we have $30 to $40k per annum with condition monitoring costs – do we require this level of service with our overdesigned system? We feel the assets are being over managed in terms of inspection and planning.

Labour costs – if the renewals expenditure on the Walkers Point pump station upgrades are going to improve labour efficiencies (page 76) why is this not shown with decreasing labour costs in the NSP?

Electricity (page 66) – how can electricity costs not be correlated to water usage in a distribution system? Considering historical water use data and electricity price increases, why are forecast costs for electricity so high?

As for the bulk, we are concerned that Aurecon are saying from their desktop study they not able to identify any potential efficiency gains (page 73). If this was the outlook we took with MSF costs that were increasing we would be unviable in the future as we cannot just keep putting up the price of sugar to cover increased costs of production. We have to become more efficient. I feel it is unrealistic to state with all the increased forecast costs there are no potential efficiency gains.

Recommendations (page 74) - Water usage projection 50% for forecast – Aurecon suggesting to review as water use average last 8 years 33%. 60% was used for the previous price path. We do not have an issue using a lower water usage forecast as long as this is paired with ‘efficient’ operating costs.

Electricity Costs

Page 27 of the distribution NSP comments about the difficulty in forecasting electricity costs. If you have a known water use, percentage assumed, gives a known volume to be pumped. Would know approximate electricity usage to pump a ML so could determine current cost and then index for increased electricity prices. The only variable is the cost of electricity. A 67% increase in projected expenses seems more than the increase in electricity price (based on 4 year actual average compared to 6 year forecast average) (Attachment 2). In addition, energy efficiency targets of the renewals program should be delivering a reduction in energy use per ML.

Lower Bound
The LMRWSS was considered to be at lower bound pricing and now according to the NSPs is well above. SunWater NSP $1,588k Indec report 2006 $783k so difference of $805k - 103% increase. Indec set lower bound costs in 2006 for scheme of $783k in 2011 dollars. Is the 103% increase justified?

Rural Water Community Service Obligations (CSOs) paid by government 2009-10 $210, this represented 0.01% of total CSOs paid in 2009-10 (SunWater annual report 2009-10 pg 77). This was the second lowest, behind Bowen Broken Rivers $95, out of a total of $1,634,726. This indicates we were basically at lower bound.

Business management and strategy
If the long term viability of the Lower Mary River Water Supply Scheme was being considered and the efficient operating costs were known/budgeted then there should have been business decisions at SunWater management level along with increased consultation with irrigators to investigate the options available for reducing costs to keep the distribution scheme viable for both SunWater and Irrigators.

Page 19 of the distribution NSP states it would be possible to fundamentally change the current asset management philosophy and to reduce expenditure and increase the risk of major supply failure, as well as minor supply interruptions. However, SunWater does not believe this is prudent operating practice and has not received requests from customers to manage the distribution system in this way. Due to the lack of communication between SunWater and Irrigators this has never been raised and/or addressed. It is obvious from the NSPs this definitely needs to be investigated further and considered. Does Sunwater have any figures analysed for this change in philosophy?

If the forecast operating expenses in the NSPs are correct and efficient then we would like to consider options and/or alternatives for levels of service for a new price path. The forecast expenses do not favour long term viability of the distribution system as the long term cost of water from the distribution system to the end user would be prohibitive.

Overdesign and renewals planning
Page 75 of the Aurecon report states ‘A general observation regarding the Lower Mary, was that in many instances the facilities appeared way overdesigned compared to modern standards and were attracting additional maintenance and operating costs because of it.’ We support this observation.

Have SunWater considered historical usage, pumping capacity, assets in place and used this information in asset management decisions, such as deciding if to refurbish or replace and what modifications can be made to reduce cost.

How can we be expected to have pricing determined using the forecast renewals when a number of items that are detailed for the next 5 years are not necessary and/or will be pushed back (page 6 of Aurecon report). If key expenditure items listed within the NSP for 2012-2017 will not proceed as projected (page 77 of Aurecon report) why are they in the NSP in the first place? Where is the local input from SunWater staff and irrigator stakeholders on the necessity for the renewals that are predicted by asset management? The report does go on to say that a few items listed for expenditure in 2012 to 2016 as replacements were more likely to be downgraded to refurbishments. However, they are still included in the renewals forecasts.

We support the Aurecon report page 77 and page 140 key points - although extensive financial modelling and analysis undertaken by SunWater to determine the least cost strategy for managing the asset over the whole life of the asset, there is a need to also incorporate into the decision making, an evaluation process that examines the economic and/or financial merits of such expenditure from a product delivery/customer (water value) perspective.

For example, the 32ML Walkers Point balancing storage and the review and $109k proposed capital spend to put some drainage in to assess the amount of water being lost. We provided Aurecon with our cost of drainage (similar of that proposed for these works as we use it to drain wet areas in sugar cane paddocks) and we fail to understand how the proposed project could possibly cost $109k. We will be interested to see the findings of Aurecon's investigation into this renewal expenditure. To us it seems SunWater is treating all schemes the same regardless of requirements and size.

At consultation with QCA on 14th April we raised the issue about renewals and some might not occur and QCA asked us to comment on these in our submission. However, there is insufficient information in NSPs to provide constructive comments (Attachment 4). Can greater detail be provided? We would appreciate further justification for need and timing of renewals and further detail. This is also noted by the SAHA issue paper (page 25):

> 4.37 The longer time frame for the renewals annuity approach implies a need for asset management plans with sufficient detail to support long term capital expenditure plans. This tends to facilitate greater scrutiny by stakeholders in providing input to long term capital expenditure plans which can in turn promote productive and dynamic efficiency.

How will system overdesign be accommodated?

Will SunWater account for not replacing assets that are there now but conduct an analysis of what is required to provide for the service? For example, in the renewals forecast for distribution in 2013 there is $112k for Copenhagen Bend Pump and Motor (Plus a further $227k for Copenhagen Bend electrical in 2014) (NSP Distribution and Attachment 4). There are two pumps for Copenhagen Bend and their historical usage would not warrant them being replaced and/or upgraded. For example, with two pumps in place we could just operate until one fails and then go on a roster system for water use from one pump until the failed pump was fixed or replaced. This was also agreed with by the SunWater staff that did the tour of the facilities with Aurecon that the pumps would have not done the work to need renewing and that what is there now may not be what is required in the future (i.e. maybe just one pump or refurbish rather than replace). Page 78 of the Aurecon report states Aurecon are also questioning the prudency and efficiency of some of the renewals projected for the 2012-2016 period (particularly Copenhagen Bend). Page 36 of distribution NSP Copenhagen Bend Pump Station has two equally sized submersible pumps capable of pumping 65ML/day. Has this capacity been compared with historical usage data when looking at asset management?

Renewals – Negative balance

Aurecon was not able to validate the annual CAPEX items for scheme specific assets (page 5 of Aurecon report and pages 56, 74 & 77). Aurecon could not verify the renewals annuity opening balance in 2012 as presented in the NSP.

Historical investment decisions have not been in consultation with irrigation customers. The balance of the Lower Mary sinking fund as presented in graph format on page 79 on the SunWater 2009/10 annual report was approximately -$830,000. MSF, a large irrigation customer of the LMRWSS, was not even aware this was the case.

We would like the current negative balance of the distribution system scrutinised. We would also appreciate the renewals starting balance at 2007 to be verified.

We feel there should not be a large negative renewals balance carried forward and believe it should be zeroed due to not being able to be validated by Aurecon and no consultation with irrigator stakeholders in relation to planning and expenditure.

The bulk has positive balance $160k but distribution has $1.4m negative balance, if these balances are not zeroed the renewal annuity will be $2.7m for distribution and $13k for bulk for price path (page 60 of Aurecon report). This has a large impact on water pricing. Even Aurecon reports states past renewals expenditure require validation and information was not sufficient to enable an evaluation of past expenditures (page 79 of Aurecon report). In addition, this raises the question again about the amount of asset management labour being attributed to the LMRWSS.

Renewals - Consultation with customers

If SunWater wants to continue with a renewals annuity regime then the asset management plan (AMP) needs to be available for customer scrutiny so that there is consultation on renewals expenditure. The AMP should have transparency for economic efficiency and investment decisions. Currently MSF has not seen an AMP for the LMRWSS for at least the last five years.

The irrigation advisory committee meetings are very irregular, if held at all. One has not been held for at least two years. Even when there was a meeting held it did not address the issues of operational matters, asset management plans, maintenance and improvements to the schemes, and the management of the renewals annuity. SunWater states in their 2009-10 annual report on page 15 that they liase with 18 Irrigator Advisory Committees to discuss operational matters associated with scheme performance. Page 17 of LMRWSS NSP states SunWater customers consult on operational issues through Irrigation Advisory Committees who meet regularly around issues to do with service activities at a local level. Local shed meetings are called on a needs basis to discuss operational issues. These statements are far from the actual truth, and as previously mentioned meetings are very rare and do not address the necessary issues, operational and asset management.

The network service plan (NSP) should be consulted with customers so that the quality of service and the standard of upgrades customers are prepared to fund are agreed upon. This should include the longer term forecasts of renewals expenditure that are critical to annuity calculation and that impact on water pricing.

Losses

Page 6 of distribution NSP states bulk water charges associated with distribution loss allocation will be charged to the distribution system (on top of existing costs presented). Page 14 distribution NSP– 4,912ML bulk water charges for distribution losses. Using projected usage losses are determined to be 100% high priority 324ML + 50% medium priority (4,588ML) = 2,294ML per annum (Page 28 distribution NSP). However, the graph

on page 15 (Figure 2-3) shows actual network losses of a maximum of 2,400ML in total for 8 years. There is a similar graph also presented on page 14 (Figure 2-3) of the bulk NSP.

Page 24 of the distribution NSP states, system leakage management plan for Lower Mary confirms water being lost in open storages and then goes on to say water metering needs to be improved before these measures can be reliably evaluated. Once channel efficiency, channel seepage and the location, extent and frequency of channel losses are accurately determined through improved metering can look at business case to improve flow control (i.e. lining or piping).

How does SunWater justify 2,294ML per annum being charged for medium priority losses when they cannot even quantify the losses?
Given the losses presented in Figures 2-3 in both NSPs we question why losses are being recovered. The water is from the ponded barrage storages and the irrigators would pay the pumping electricity on losses in the distribution systems, so we are unsure as to the necessity for the recovery of losses using bulk charges to be included during determination of water pricing. We feel the bulk charges for loss is unwarranted. River/bulk customers do not pay for losses?

Recovery of costs for losses allocation in distribution systems has significant impact on prices. For example, 2,294ML x $19.60/ML (Part A & B 2010/11 Mary Barrage water charges) = $44,962 to be divided between water used in distribution systems. These costs have not even been included in the forecasts presented in the NSP and further increase water pricing.

What incentives are there for SunWater to reduce losses if irrigators are paying for them? If there is to be a recovery of costs for losses allocation in distribution systems we would like to use actual losses. However, feel we should not be charged any losses seen as we pay pumping electricity.

SunWater Maryborough Office
Are the expenses of the SunWater office building in Maryborough being fully attributed to the LMRWSS NSP and if so is the revenue from the lease of office space to National Parks and Wildlife being shown in the revenue in the NSP?

During the visit by Aurecon it was discussed how the office is not considered efficient and then were told by SunWater staff that this is not going to be the case in the future, and they will relocate from premises in town to on-site sheds/dongas (Page 55 Aurecon report). Has this been accounted for in the forecast costs in the ground up budget, i.e. reduced overheads?

Rates
If rates are included in the expenses in the NSPs is there evidence of the rates being paid to Fraser Coast Regional Council? This issue was raised during consultation on the 14th April and we were told by QCA this is being raised in another area and we should look into it with the Fraser Coast Regional Council. However, we feel this is not something the council is going to answer due to privacy issues. Could the QCA please obtain evidence from SunWater or Fraser Coast Regional Council that rates are actually being paid to local councils? If they are not being paid then the expense should not be included when water price is being determined.

Recreational Costs
Are there any recreational costs in the expenses in the NSPs, whether direct or from central cost allocations? As the LMRWSS does not have any recreational facilities we do not feel we should have any recreational costs.

Water ordering and scheduling
Page 12 of LMRWSS NSP mentions gauging stations for scheduling water deliveries – there is not really any requirement for scheduling of deliveries (except maintaining adequate channel/pipeline water) as the rest of the water supply scheme is ponded storage (Mary and Tinana Barrages). There is no water ordering system in place so this should also reduce operating costs. Page 20 of LMRWSS NSP says there is no water ordering system but still mentions management of releases.

Increased compliance costs
Page 22 of LMRWSS NSP talks about the ROP having new scheme operation and management rules leading to increased compliance costs. Can these be detailed? We note Aurecon is seeking this information (Page 139 Aurecon report).

Separation from Upper Mary increasing costs

Page 28 of bulk NSP states the loss of synergy caused by the separation of the Upper Mary and Lower Mary Schemes has contributed to an increase in cost. Could this statement please be explained as in the last price path this reduced costs in the lower Mary and now it is claimed to be increasing costs. We cannot see how this is the case and would like further explanation.

Insurance
Page 24 of bulk NSP - $7,000 per annum (based on replacement value and asset type).
Page 25 of distribution NSP - $41,000 per annum

Even though $48,000 per annum does not appear to be a large cost it still impacts on water pricing. Can insurance costs be reviewed? For example, what is actually insured and the level of the deductible. Is this level of insurance considered necessary/efficient. Pages 57 and 58 of the Centralised Costs Background Paper - presents some information on insurance costs. However, are these efficient and should some of these costs be applied to the bulk and distribution systems? For example, a $92,000 brokers fee and $299,880 of directors and officers insurance coverage.

Allocation of centralised costs (Overheads & Indirects)
Summary of Indirects and overheads:

- bulk $86k average to $172k forecast average, 101% increase (Attachment 1)
- distribution $279k average to $314k, 12.6% increase (Attachment 2)
- bulk + distribution $364k to $486k, 33% increase and represent 46% of operating costs (Attachment 3)

Indirects and overheads account for 47.7% of operations costs for distribution (Page 67 Aurecon report figure 6-11). This massive increase in overheads and indirects is a major issue for the LMRWSS in terms of water pricing.

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This was difficult to comment on with figures presented at such a high level in the NSPs and the Deloitte report dated 27 March 2011 not having scheme specific information. At consultation on the 14th April we did receive a copy of Deloitte's presentation and this had specific numbers for the Lower Mary bulk and distribution systems.

Looking into the breakdown of overhead and indirect costs provided by Deloitte it is difficult to comment as we do not understand all of the categories. Some points to consider for bulk and distribution combined are:

- Customer support 12.6 + 34 = $46.6k total
- HR 5.3 + 14.4 = $19.7k total and of labour costs this represents approximately 11% ($176k) previous price path and 6.7% ($292k) forecast price path based on average labour costs (Attachment 3). This seems like a very high proportion of labour costs for HR.
- Strategy and systems 9.5 + 25.5 = $35k total
- ICT 11 + 29.4 = $40.4k total and of indirects and overheads this represents approximately 11% ($364k) previous price path and 8.3% ($486k) forecast price path based on average indirects and overheads costs (Attachment 3). This seems like a very high proportion of indirects and overheads costs for ICT.

As mentioned we do not necessarily understand these cost groupings. However, when you look at the total of the costs to the scheme and these as a proportion of operating costs it does raise some questions if they are considered to be efficient.

Is there any evidence that the centralisation of customer services to Brisbane resulted in a decrease in costs to the LMRWSS or any other schemes? If there has not been a cost reduction what was the justification for this decision?

We do not necessarily agree with Deloitte report, SunWater Administration Cost Review Phase 2, Page 19, where FTEs are used as the comparator to remove differences in remuneration scales and also differences in foreign exchange and timing issues. A comparison of pay scales for jobs is required as if labour is cheaper a business tends not to be as efficient and tends to have more FTEs.

Strategic and Stakeholder Relations (SSR), water planning, corporate relations and business strategy has 12 FTEs (Table 3-6 page 24 Deloitte report). Why are we getting costs for items such as advertising and corporate relations when the LMRWSS is a well-established captive customer base?

Are the Dam Safety specialist staff included in the centralised costs being allocated to the LMRWSS? We do not have any dams. LMRWSS does not have any public visitors to water infrastructure sites. Are we also paying for public safety awareness campaign targeting visitors at water infrastructure sites? Are we paying for any of the schedulers (page 37 Deloitte report)? We do not have any scheduling in the LMRWSS.

Allocation methodology

We understand SunWater is proposing a different allocation methodology to the last price path – direct costed labour.

Are alternatives being considered for allocation of centralised costs? If the operational labour in the NSP is considered to be too high (not to be efficient) and this is altered will this flow through to the allocation of centralised costs to indirects and overheads? This obviously depends on the methodology that is ended up being used to allocate centralised costs.

Alternative cost allocation methodology

Allocation of costs by customer numbers – LMRWSS has a lot of customers but low water use so we question if this is an appropriate cost allocation methodology (CAM) i.e. for the finance function (page 42 of Deloitte report) and IM Water accounts (page 49). Even though there is a lot of customers, transactions would be minimal. As majority of sleepers would just pay their Part A charges on their quarterly invoices and not actually contact SunWater in regards to temporary transfers, water meter reading issues, etc. Also do not necessarily agree with Legal/Property being allocated by customer numbers as I do not think many of the customers in the LMRWSS would use its land to move livestock and need licensing (Page 47).

With the overdesign of the LMRWSS do not agree with Infrastructure development & Procurement CAM being based on asset value (page 49). Our asset value is higher due to overdesign and then we would get more overhead costs as a result of this.

Local Operations

We are very fortunate to have very good local SunWater employees that operate the LMRWSS. We do not have any issues with local operation of the LMRWSS. We have concerns about the costs in the NSPs and their impact on water pricing and the long term viability of our own and SunWater's operations.

Conclusion

We have found it very difficult to provide constructive feedback on the NSPs due the high level nature of information provided in the NSPs. We feel there is insufficient information on costs and revenues at a level where an opinion can be formed or a question raised.

SunWater's efficient operational, maintenance and administrative costs in relation to the LMRWSS are still not clear from the NSPs. From the NSPs it does not appear that SunWater is striving to be an efficient and viable irrigation water provider. We need to make sure the NSPs are considered efficient for the LMRWSS and not as part of the entire SunWater business.

We are not willing to just accept the fall back position of no greater than $2/ML increase + indexation per annum. Assuming all Part A charges increased by $2/ML per annum plus 2.5% CPI per annum this would result in approximately a 30% increase in water costs to Maryborough Sugar's business (<$80k per annum).

MSF requires the Lower Mary River WSS to remain viable and sustainable as MSF has significant investment that relies upon the availability and utilisation of irrigation water. The LMRWSS needs to managed efficiently for both the short and long term.

MSF would appreciate continued consultation in relation to the pricing of irrigation water for 2011-2016.

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Telephone: (07) 4121 1100; Fax: (07) 4121 1139; Email: msf@marysug.com.au

If you would like to discuss any of this submission please do not hesitate to contact myself on 4121 1153 or 0427 017 508 or email yolandelambert@marysug.com.au

Yours sincerely

Dr Yolande Lambert
Project Agriculturalist
The Maryborough Sugar Factory Limited

Please refer to excel spreadsheet attachments

1. Figures from Bulk NSP
2. Figures from Distribution NSP
3. Figures from Bulk + Distribution NSPs combined
4. Information extracted from NSPs in relation to renewals