

Submission by Ron Heywood –Irrigator, Theodore

Background

The QCA is to be commended for its application to the task of effectively probing Sunwater's irrigation pricing structure and keeping Sunwater customers informed of its progress.

Regrettably the QCA has struck the same snag encountered by irrigators in that Sunwater is either unwilling or unable to provide data that would allow effective scrutiny of its accounting system. Transparency appears roughly equivalent to that of water in the Dawson River in high flood.

Through no fault of QCA, its report can be only as reliable and comprehensive as the incomplete data on which it is based. Despite the risk of being shot as the messenger, it is incumbent on QCA to point this out to government and Sunwater in the most forceful possible terms. The recommended pricing is still wide open to question, because of the inadequacy of the information from which it is generated.

Capital Cost Allocation – Bulk

In the absence of a large water storage facility relative to total water allocations on the Dawson River, the allocation of capital cost to different priorities is a different exercise from that required if such a storage existed. Unfortunately irrigators do not make management decisions with the wisdom of hindsight but must plan on the basis of water availability at the beginning of a quarter, not the end. Comparative profitability of various cropping options in the Dawson Valley means that crops must be established early in the first quarter of the water year (Oct). Consequently the relative value (and therefore the Capital Cost Allocation) of high priority water is most accurately reflected by the ratio of announced allocations for high priority to the announced allocations for other priorities at the commencement of the water year. The ratios at the beginning of other quarters are considerations but relatively minor. Use of ratios at the end of quarters does not at any point intersect with the realities of irrigated agriculture. One must concede however that it serves the purposes of Sunwater PR and the interests of high priority water users admirably.

Allocation of Non-Direct Costs

In the absence of reliable detailed information, speculation is the only option available to explain the toxic level of non direct costs allocated to Dawson Valley Channel distribution system. Given the formula used, it is the allocation of direct costs that gives rise to this anomaly.

As the first government irrigation scheme in Queensland, D.V. distribution system was designed in a different irrigation era and is therefore more complex and has become more costly than other systems to operate on a per mL basis.

Of far greater impact have been repeated well- intentioned but ineffectual attempts to "fix D.V.Channels". The cost of these enterprises has presumably been allocated to D.V. Channels direct costs. The attempt to rationalise irrigator land holdings is a case in point. It appeared to founder on a shortfall of financial and human relationships resources.

The role of QCA is arguably to bring the principles of commercial reality to bear on service providers lacking commercial competition. Since its inception, Sunwater has had the opportunity to revamp the distribution system at Theodore. As a commercial entity, its administration has had the obligation to provide its customers with a reasonably cost efficient distribution system. This obligation is normally enforced by competition, and customers vote with their feet. I believe the QCA has a clear idea of the way D.V. channel irrigators would vote, notwithstanding the excellent service provided by on ground staff at Theodore.

It is one thing to pay operating costs of an antiquated system. It is another thing to pay additional costs of repeated unsuccessful attempts to remedy the situation. However when the accounting method in consequence demands an apparently disproportionate contribution to the costs of the administration responsible for the situation, it requires particular talent to see the funny side.

When the direct costs of “operating D.V. Channels” and “fixing D.V. Channels” are discovered and unbundled; the former allocated to irrigators, the latter to Sunwater, it will be possible to reach an intelligent and valid allocation of non direct costs and hence of fixed charges.

Sponsorship / Advertising

Sunwater has sponsored the following organisations/events:

- Sunwater Burdekin Water Festival
- Sunwater Youth Music Education Festival
- Lion Club Charity Golf Day
- Home Hill Harvest Festival
- Australian Macadamia Society Annual Conference
- The Australian National committee On Large Dams Incorporated Conference
- Wondai Show Society
- Bundy In Bloom
- Arachis Australia 2008 Festival
- Bollon Business Awards
- Bundaberg Sugar Industry Awards
- Damtastic (Fairbairn Dam)
- Callide Valley Agricultural and Pastoral Show
- Mackay Regional Sugar Festival

There is no doubt that these are all worthy causes but since Sunwater has a captive clientele there is absolutely no commercial justification for this unconsented expenditure of irrigators funds. Cost effective water distribution would reflect much more favourably on Sunwater’s image than any amount of sponsorship. Similarly, if the resources spent in highlighting achievements were instead employed in rectifying long-term problems, customer satisfaction could become a reality.

Exit Fees

Maths Quiz; Q: In the total darkness of Sunwater accounting ; If one adds a rubbery figure (DLC) to another rubbery figure derived from it (NDC) and the sum is multiplied by 13.8; what is the resultant product?

A: Daylight rubbery

Sorry, but mockery is the only adequate response to some propositions. An allocation of medium A water has been offered for sale for most of the last year at \$1,600 without attracting any interest whatsoever. Take proposed exit fees and selling costs out of a price considerably less and the permanent transfer of water out of the channel system becomes a non event. A pity for the governments much vaunted separation of land and water titles and a death knell for water use efficiency. Why use less when selling the unused part of ones allocation would yield nothing? Decimating the value of irrigators assets may hopefully also be a consideration.

Summary

QCA has begun well. The acid test is whether the Authority has the resolution and resources to illuminate the murky depths of Sunwater accounting and then to elicit from Sunwater the responses that would be elicited by commercial competition. Of course it may simply be swamped by megalitres of bureaucratic obfuscation and thus merely add to the list of well- intentioned but ineffectual initiatives endured by D.V. channel irrigators.

Brand new day or déjà vu? The moment of truth is arriving.