

**QFF MEMBERS**

Australian Prawn
Farmers Association

CANEGROWERS

Cotton Australia

Growcom

Nursery & Garden
Industry Queensland

Qld Chicken Growers
Association

Qld Dairyfarmers'
Organisation

**ASSOCIATE
MEMBERS**

Queensland Chicken
Meat Council

Flower Association of
Queensland Inc.

Pork Queensland Inc.

Fitzroy Food & Fibre
Association

Pioneer Valley Water
Co-operative Limited

Central Downs
Irrigators Limited

Burdekin River
Irrigators Area
Committee

Queensland United
Egg Producers

Emerging Primary
Industries Groups

- Biological Farmers
of Australia

- Queensland
Aquaculture
Industries
Federation

9th November 2012

The Research Director
Finance and Administration Committee
Parliament House
Alice and George Streets
Brisbane QLD 4000
fac@parliament.qld.gov.au

Dear Sir/Madam,

**Submission to an inquiry into the South East Queensland Water
(Restructuring) and Other Legislation Amendment Bill 2012**

Thank you for the opportunity to make a submission to this inquiry.

The proposed changes are to legislation that was created to address the needs of the urban and industrial water supply customers in South East Queensland to cope with the prolonged drought. QFF has been advised that the proposed changes have only minor implications for the rural supply schemes in South East Queensland and the Mary Valley that will be customers of the new Queensland Bulk Water Supply Authority (QBWSA). These rural schemes include the Logan, Warrill, Central Lockyer, Lower Lockyer, Central Brisbane, Mary Valley and Cedar Pocket bulk water schemes, the Morton Vale distribution scheme in the Central Lockyer and the Pie Creek distribution scheme in the Mary Valley. These schemes are currently serviced by SEQWater.

QFF and Irrigators had input to strategic water supply planning in the 2006-07 period to highlight rural water supply issues warranting attention. However, the priority was to focus on urban needs at that time and the resultant legislation which is proposed to be amended. Over the past six years little has been done to address the issues facing the rural schemes and now the future for commercial irrigation in the region is much more uncertain.

The important outstanding policy issues which are impeding the development of a viable irrigation sector in the region are as follows:

a. *Progress of water resource planning*

It will take some years yet to complete water resource planning across all catchments in the region and particularly the groundwater resources of the Lockyer Valley where water entitlements are yet to be defined and trading of these entitlements activated. Trading for surface water entitlements in the Lower Lockyer and Warrill schemes has also not yet been implemented. Customers in these schemes will not be able to trade part or all of their entitlements if they face difficulties coping with the impacts of new water prices planned to be implemented from 2013. The Queensland Competition Authority (QCA) is due to release their draft report on rural prices in December. Water trading arrangements are in place for the Logan, Mary and Central Brisbane schemes.

b. *Poor reliability of supply in the rural schemes*

The poor reliability of supply in the irrigation schemes impedes a shift to more intensive production of higher value crops suited to an area located in proximity to a large and growing urban market. Little can be done to improve the reliability of those bulk schemes that provide both urban and irrigation supply because of the restrictions required to secure supply to meet urban supply priority. Where viable water trading markets can establish in the schemes including the Lockyer schemes unused water should be brought into productive use or held as a reserve to secure some improvement in the availability of water on farms. However, access to recycled water provides the best option for irrigators to use additional supplies of more reliable water for expanded irrigation development. To date the cost of this water has been too high for irrigation use.

c. *Prices in some of the rural schemes are well below cost recovery*

Rural prices assessed in 2006 for a five year period identified that the two Lockyer schemes could only recover between 25% and 50% of forecast costs necessitating significant ongoing subsidies. In most of the other bulk schemes in the Logan, Warrill and the Mary Valley, prices were set to recover forecast costs. It is not expected that the QCA will find that the condition of the Lockyer schemes has improved in 2012. It is also expected that the Cedar Pocket bulk scheme and the Morton Vale and Pie Creek distribution schemes will also have prices well below cost recovery. Irrigators are also concerned about the prospect of coping with high fixed prices to recover fixed costs for bulk schemes which are in excess of 90%. This burden will be difficult to manage given variability in supply conditions. QFF is particularly concerned about how smaller water users will cope with expected prices from July 2013.

Overall, QFF supports the key objective of the legislative changes 'to redirect the focus of the sector from construction to cost-containment, including targeting duplication of functions across the industry.' It is hoped that QCA pricing investigations will identify some savings on operating costs for the restructured entity that can be passed through to rural and urban customers.

The Queensland Water Commission should also not be required as 'a dedicated source of policy advice on regional water supply security' provided that appropriate Ministerial portfolios assume responsibility for key policy issues that were being addressed by the Commission. The Commission conducted a Rural Water Advisory Group for a number of years to address how rural water supply availability and reliability could be improved. It is unclear whether this function will now be addressed.

QFF has reviewed those aspects of the proposed legislation that deal with urban supply arrangements and offer the following comments:

1. **Bulk Water Entities Merger - South East Queensland Water (Restructuring) Act 2007**
The amendment of s9 provides for the new entities to undertake with the State (and other service providers) collaborative planning activities to support cost-effective operations, promote efficient use of and investment in water infrastructure and ensure the safe, secure and reliable supply of water. QFF considers that this approach should also be implemented for the rural water schemes
2. **Statement of obligations - South East Queensland Water (Restructuring) Act 2007**
These Statements of obligations, issued from time to time by responsible Ministers, will be important particularly in defining strategic activities of the new Authority in respect to urban supply. Each financial year, the Authority must prepare strategic and operational plans for responsible Ministers to approve. It is understood that at this stage there will be no process which defines statements of obligations for the rural schemes and hence no requirements for the preparation of strategic and operational plans regarding these schemes.

3. Chapter 2A and Desired level of service objectives – Water Act 2000

The purpose of this Chapter is to ensure 'sustainable and secure water supply and demand management for the SEQ region' for the 'urban operations'. The proposed changes provide for water supply security plans and programs and measures for optimizing an efficient and reliable supply of water. Rural schemes support water security planning to secure urban supply during low flow or drought periods. Irrigators need a transparent program which defines the conditions when restrictions will be placed on medium priority supply. However, QFF submits that each of the rural schemes would also want the opportunity to work with the QBWSA to review bulk water supply arrangements including defined levels of service to ensure that their schemes are on a sustainable footing. This will particularly be the case for those rural schemes that face unattainable price targets to recover forecast costs assessed by the current QCA investigations. It may be feasible to make adjustments to water supply arrangements in these schemes to reduce costs. These are all matters that will require policy determination by the State Government.

4. Chapter 3 Underground water management

The purpose of the changes to this chapter is to provide for the management of impacts on underground water, caused by the exercise of underground water rights by petroleum tenure holders, to be transferred from the Commission to a new Office of Groundwater Impact Assessment. The Office will play an important role in monitoring the impacts of coal seam gas developments particularly the cumulative impacts of these projects. QFF supports the proposed changes and in particular the definition of the functions and general powers of the Office, the option for the Manager to establish advisory bodies, the independence of the Manager in performing the functions of the Office and the provisions for funding arrangements for the monitoring work of the Office.

5. Division 19 Transitional provisions

The new section 1215 will have implications for irrigation customers in the Central Brisbane scheme that have purchased water from the Grid Manager. QFF supports these provisions as it is understood they will allow the new bulk entity to transfer entitlement to the irrigation customers who purchased the water.

The new section 1222 provides for any future transfer of raw water customers of an SEQ service provider to the QBWSA. If any such future transfers are proposed to a rural water supply scheme, the QBWSA must consult/negotiate with rural scheme re costs and other matters.

While the proposed legislative changes are supported, QFF is concerned that the QBWSA has little direction or policy guidance from the State Government about its role in regard to rural water schemes in the region. It is expected that each of these issues if not addressed will further hamper development of the irrigation sector over the next five years and beyond. The State Government and the new Authority need a coordinated effort to plan for the development of the irrigation sector as part of a regional focus on future water supply services for all sector participants.

Yours sincerely



Dan Galligan
Chief Executive Officer