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HOUSE OF REPRESENTATIVES
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Submission to
House of Representatives Standing Committee on Agriculture, Fisheries & Forestry
Inquiry into Future Water Supplies for Australia's Rural Industries & Communities

SEQ Water - A million wasted megalitres in the "Smart State".

Imagine building a billion dollar freeway and then only being allowed to use it on Tuesdays. It sounds absurd but this is exactly what our politicians and urban water authorities are doing with our water resources.

Comparisons between the two water authorities in South East Queensland provide the most damning (sic) evidence yet that there is, in fact, two Australias. One Australia endures incredible hardship in another drought that they, supposedly, have failed to prepare for while the other, with 8 to 15 times more water than it needs, just sits there grinning.

Public water storage for rural uses (small towns and irrigation) is managed by Sunwater. It's total storage capacity in the south east is 190,000 megalitres of which only 14,000 ML (8%) remains. Many Brisbane valley farmers have had no water allocation for 12 months.

But this is as it should be. An efficiently run storage system should be close to empty near the end of the worst drought for fifty years. The water is there to be used. And if it is not used now, when will it be used?

Urban storage capacity (Brisbane and 9 councils) is a massive 1.75 million ML with an additional 2 million ML capacity for temporary storage of flood surges. Annual water use is only 250,000 ML or one seventh of the base storage capacity or one fifteenth of total capacity.

Current stocks are 1.15 million ML (65%) or enough to last 4.6 years but even this figure is quite misleading because large volumes are released (dumped) at the beginning of each wet season and even larger volumes are used to maintain river flows at much greater than natural levels.

Indeed, I took a detour past the city recently to see what a dry season Brisbane River looks like and was surprised to note that it was no different to a normal wet February or March. This enormous piece of infrastructure and splendid water resource is serving no higher purpose than to enhance the view from Lord Mayor Jim Soorley's office and Premier Beattie's Executive Annex.

And never mind the schemes to water the inland, not a drop of this excess storage, from this existing Dam will even go to long suffering farmers in the existing schemes in the Brisbane valley itself.

SEQ Water's current annual report proudly advises that an effluent recycling scheme is being developed to supply farmers with more irrigation water (piped all the way back from the city) and a (100km) pipeline to the Gold Coast is being considered to

augment their supplies. But a much shorter pipe to fully replenish the Atkinson Dam (only 30,000 ML) is, apparently, out of the question.

The existing distribution systems are already in place. The water need not be part of a permanent water allocation but could be sold on the spot market to the highest bidder. Some of those potential bidders are currently buying tankered water for emaciated stock at \$9 per tonne or \$9000 per megalitre.

Indeed, the entire Brisbane "breadbasket" could be fully replenished for only 190,000 ML. This would lift annual use to only 440,000 ML and use only 25% of storage capacity. At \$100/ML SEQ Water, in partnership with fellow government corporation Sunwater, could make additional annual sales of \$19 million.

But the "Smart State's" loss is far greater than this. The Department of Natural Resources, in one of its "Water Facts" sheets, suggests that *"in the drier areas of the state, a storage may have to supply water for 2 to 3 years without replenishment. In coastal areas a 12 month duration may be sufficient"*. (W24 DNRQ 96026)

The key words here are "without replenishment" and the engineers who designed the Wivenhoe/Somerset system have recognised that a single replenishment event (a flood surge) can be greater than 2 million ML or 8 years current use.

The two minor storage's combined, Somerset and North Pine Dams, can store 595,000 ML. This alone is more than two years supply and one can only conclude that the entire Wivenhoe capacity of 1.16 million ML is surplus for all purposes except flood mitigation.

The doubling of the greater Brisbane population is not expected to take place for at least another 30 years so the entire capacity of Wivenhoe could be used for agricultural purposes for at least that long.

The public water industry has been deluded into believing that urban water is the highest and best use of this resource. But while water from a tap may cost \$800/ML it doesn't create a single extra job between the tap and the drain. A \$100 irrigation megalitre, in contrast, can produce from \$200 to \$1,000 worth of produce and \$1,200 to \$6,000 worth of economic activity.

So annual water sales of at least \$100 million are being foregone right now. And as water costs are between 10% and 50% of agricultural production costs then farmers are missing out on \$200 million to \$1 billion in annual production. Primary production has an economic multiplier of 6 to 1 so the mismanagement of SEQ Water amounts to a \$1.2 to \$6 billion shortfall in state GDP.

At the standard conversion of \$50,000 per full time job then between 24,000 and 120,000 local jobs are being flushed down the creek by SEQ Water. With a Premier full of "smart jobs" rhetoric, there is no dumber job than a job that was never created.

And students of irony can note that consumers have been warned to brace themselves to pay up to \$12/KG for tomatoes over the festive season because of the drought. A family need only buy 8kg at that price to part with the cost of a farmer's megalitre.

Lord Mayor Jim Soorley is the dominant customer of SEQ Water and his recent submission to the House of Rep's Inquiry into Future Water Supplies for Australia's Rural Industries (Sub. No 54) transformed irony into contempt when he stated; "The Lockyer aquifer is being pumped out at twice the sustainable rate, contributing to major economic and social disruption. Current rural water use policies are seriously degrading productive land and water bodies. Brisbane submits that future policies should aim to be truly sustainable by ensuring:

* no further exacerbation of ecological impacts, particularly through **overuse, inefficient use and unnecessary impoundment, etc**".

He then went on to produce a very creditable imitation of dogs vomit (thanks to Keating, this is now a parliamentary term) under the heading of Underpricing. But SEQ Water's Annual Report shows that, certainly for large storage's like Wivenhoe, underpricing is a myth.

Total water sales in 2002/02 were \$43.4 million with Net Profit before tax of \$17.6 million. This amounts to an average sales price of \$172/ML of which \$70 is net profit and \$102 is costs. What they do not tell us is that most of the cost structure is fixed or overhead costs, ie the cost of the Dams.

So the \$25.8 million in annual costs would remain much the same if they sold twice as much water or only half as much. But in fact, SEQ Water could sell five times the current volume and still have an extra years worth of urban supply. They could sell even more than this by combining the improved el-nino prediction capacity with the flood surge capacity.

Merely by fully utilising normal capacity, SEQ Water's average cost would drop to \$20 - \$25/ ML And by delivering large volumes to the rural Dams for redistribution through their existing systems, their average cost of water would also be reduced accordingly. And farmers would have no need to overexploit their aquifers.

What we have in South East Queensland is a classic case of market abuse by a cartel exercising monopoly power. And the inevitable result is a minority community suffering tremendous economic, ecological and social disadvantage.

But this is not one of those weird "only in Queensland" stories. For the residents of Sydney will also be paying \$12/KG for their tomatoes and their urban water storage also has four years supply in a 2 million megalitre monument to managerial incompetence and an appalling betrayal of the social contract.

Aren't farmers Australians too?

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