

Mrs Deborah Frecklington,  
Leader of the Opposition,  
Level 7, Mineral House, 41 George Street  
BRISBANE QLD 4000  
*By Electronic Mail*

[reception@opposition.qld.gov.au](mailto:reception@opposition.qld.gov.au)

*31-07-2020*

Dear Mrs Frecklington,

**Re:** 2020 Election

The Queensland cotton industry in a normal year contributes between \$700 million and \$1 billion to the Queensland economy and supports thousands of jobs throughout the state.

Cotton lint is one of Queensland's major agricultural exports, and cotton seed is a very important feed source for the Queensland beef industry.

Our traditional geographic footprint spreads from the Central Highlands around Emerald, to the Queensland/New South Wales border near Goondiwindi, and from Dalby west to St George and Dirranbandi.

However, in recent years, commercial crops have been established in the Lockyer Valley, Wide Bay and in the Gulf Catchments, with very real expectations that these areas will expand, bringing hundreds of jobs, and economic prosperity to these rural and regional areas.

Cotton Australia is the industry's peak body representing the 600 cotton growers in Queensland. With the ongoing success of our industry, and with the Queensland communities it is part of in mind, we would like you to seriously consider the ideas and requests that we have laid out in this letter.

Cotton Australia is an active member of the Queensland Farmers' Federation (QFF) and endorses the election commitment requests it is making.

## **Water**

### *Rural Water Pricing*

Cotton Australia supports affordable and sustainable rural water pricing. As an industry, we recognise as a general principle that water prices should reflect efficient “Lower Bound Costs”, where the cost is also affordable for irrigators.

Cotton Australia welcomes the recent Liberal National Party (LNP) commitment to reduce rural water prices by 20%, however, we would like to discuss further the relative merits of the Regulated Asset Base (RAB) versus the current annuity system.

With regards to another critical and related rural water issue, Cotton Australia calls on the LNP to commit to immediately returning those irrigation charges that are above “Lower Bound” to “Lower Bound”. To cite just one example, Medium Priority irrigators on the Nogoa-Mackenzie are paying fixed charges of \$12.22 per megalitre, when the Queensland Competition Authority (QCA) has determined their cost reflective (Lower Bound) price should be just \$6.64 per megalitre. It is entirely inequitable that one group of irrigators should be expected to subsidise another group.

This issue, in part, stems from the long-standing, but ridiculous, Queensland water pricing rule, that states prices cannot be reduced. This rule will have to be amended or revoked to allow for the reduced prices committed to by the LNP.

### *Water Metering & Measurement*

Cotton Australia is supportive of effective and cost-effective water metering, reporting and compliance systems across Queensland, but as a priority, across the Queensland section of the Murray-Darling Basin.

Cotton Australia calls on the LNP to appropriately resource the Department of Natural Resources, Mines and Energy (DNRME) to develop the systems to better manage water use and compliance in an effective and transparent manner. In addition, Cotton Australia requests support from the government to ensure meeting the new metering standards are not too financially onerous on irrigators.

### *Drought Support – Water Charges*

Cotton Australia acknowledges that seasonal climate variability is a reality of farming in Queensland, and farming systems/businesses need to be able to manage this variation. It also acknowledges the significant work the government has been doing in response to the Wade/Burke Review.

Cotton Australia calls on the LNP to support the key recommendations of the Review, and in particular, the proposed grant programme that will assist all growers in adopting practices to better support climate resilience.

However, in addition, it calls on the LNP to commit to the development of a drought relief programme for fixed rural water charges, where the length or severity of the drought is deemed to be severe.

It is undeniable that during extended or very severe droughts, the requirement to pay fixed water charges (when no or little access to water is available) is a very severe and unreasonable impost on irrigators.

Cotton Australia acknowledges significant work would need to be undertaken to establish catchment-relevant measures of severity.

### *Dam Safety Costs*

Cotton Australia calls on the LNP to definitively exclude Dam Safety Upgrade Costs from irrigation water charges past June 30, 2021, by formally declaring that these costs should be recognised as a whole-of-community cost and paid for out of Consolidated Revenue.

### **Electricity**

Cotton Australia acknowledges the significant progress that has been made with regards to tariffs over the past 12 months and looks forward to the full introduction of Tariffs 33 and 34 from November 1, 2020. Cotton Australia believes these tariff options will prove to be attractive and cost reflective for irrigators whose business systems can manage the interruptible nature of these tariffs.

Cotton Australia wishes to work with the LNP on the design and implementation of the proposed tariffs to replace the current farming and irrigation tariffs 62, 65 and 66, ensuring they are affordable and reflect the requirements of agriculture.

### *Cotton Ginning Tariffs – Seasonality*

Cotton Australia calls on the LNP to commit to introducing new tariffs (or rules) that will allow cotton ginners (and other seasonal industries) access to tariffs that will ensure energy supplied through the network is an affordable choice.

Unfortunately, not only are the current tariff choices and rules unaffordable, they are far from competitive when compared with tariff options accessible by NSW-based cotton ginners.

The electricity component of ginning costs in south-west Queensland are two to three times higher on average than those in north-west NSW, and in seasons of very low production/gin throughput, can be up to eight times higher.

Cotton Australia believes the simplest solution is for the LNP to commit to allowing cotton ginners to swap tariffs during the year, so they are on an appropriate tariff during the actual cotton ginning period, and on a small business tariff during the “care and maintenance” period of the year.

### *Solar Rebate Scheme Costs*

Cotton Australia calls on the LNP to restore the previous directive that the Solar Bonus Scheme costs should be met from Consolidated Revenue and not through electricity charges. It is completely inequitable that those users of electricity that do not have solar power (for whatever reason) should pay directly for a deliberate government policy that was aimed at encouraging users to install solar.

### **Training**

Cotton Australia (and the Grains Research and Development Corporation) currently has in front of the government a targeted training proposal for the cotton and grains industry called SmartAg Queensland. In summary, the proposal calls on the Queensland Government to redirect \$5 million over three years of existing training budget into SmartAg Queensland, with the programme then targeting high-priority accredited and non-accredited training for the cotton and grains industry.

SmartAg Queensland is loosely based on the highly successful \$15 million NSW programme AgSkilled, which has just been renewed for a further three years. The proposal is particularly timely, as some areas of rural Queensland show promise of emerging from drought and the demand for skilled agricultural labour is increasing.

Cotton Australia calls on the LNP to commit to SmartAg Queensland. We would be delighted to offer you or one of your team members a detailed briefing on the proposal.

#### *Emerald Agricultural College Facility*

The cotton industry is keen to work with the Emerald community, regional organisations and the LNP to develop and support a sustainable use for this facility that reflects the needs of the region and is established in a sustainable manner.

#### **Stamp Duty – Crop/Income Protection Products**

Cotton Australia calls on the LNP to commit to removing stamp duty on crop protection/income protection insurance policies immediately on entering government.

The 9% stamp duty on these insurance products is an unacceptable burden on primary producers managing risk, reducing reliance on government support, and is a significant disincentive for more primary producers to take up these products. Further, the majority of other states have already removed this type of stamp duty, so our Queensland cotton producers are at a significant cost disadvantage when compared to their NSW counterparts.

#### **Land Tax – Foreign Investor Surcharge**

Cotton Australia believes it is entirely inequitable that any primary producer should have to pay land tax, and the additional impost of the foreign surcharge is a very significant disincentive for foreign investment in Queensland agriculture and a huge cost on existing investors who will have to reduce other expenditure, including labour, to pay this tax.

In effect, foreign-owned primary producers in Queensland are being asked to pay a land tax of 4% on the capital value of their land, and the simple reality is that many of these business, particularly during drought, do not even make a 4% return. Cotton Australia is aware of at least two examples where the full land tax cost will exceed \$250,000, and these operators will have no choice but to reduce staffing to make up for the cost of the tax.

Cotton Australia calls on the LNP to immediately overturn the ALP's foreign ownership surcharge, and remove all land tax from land used for primary production.

### **Northern Development**

The Queensland cotton industry is genuinely excited about the emerging reality of new agricultural developments across the Gulf Catchments.

As an industry, we recognise the water entitlements that have been made available, and we believe that much development can be carried out within the current Native Vegetation Management laws.

There is genuine potential for thousands of jobs across the northern catchments in farming, support services and post-farm gate activity such as cotton ginning.

Cotton Australia calls on the LNP to really foster a positive attitude in working with proponents to gain the necessary approvals to allow development to occur.

While in some instances there may need to be difficult decisions made with regards to balancing regional prosperity with ensuring environmental values are maintained; in most cases, we believe the key issue is just ensuring decisions are made in a timely manner. This is critically important in the Gulf Catchments, as development work must be completed before the wet season, and if approvals are delayed, a full season of production and investment could easily be lost.

### **Conclusion**

In drafting this letter, Cotton Australia has been as concise as possible and has only discussed the issues in summary; however, all of them (with the exception of SmartAg Qld) are familiar to your responsible Shadow Ministers, and have been discussed extensively during our regular meetings.

If need be, Cotton Australia would be delighted to provide further briefings to you or your team, and we look forward to a detailed response to this letter, which clearly outlines the position of the LNP going into this election.

Cotton Australia wishes you and your team all the best during the election and would like to place on record that we have enjoyed a very positive working relationship with you and your team, and we look forward to that continuing.

If you would like to follow-up anything raised in this letter or discuss any other matters that would be of interest to our industry, please do not hesitate to contact Michael Murray, General Manager – 0427 707 868.

Yours sincerely,



Michael Murray,  
General Manager,  
Cotton Australia

CC:

Tim Mander  
Tony Perrett  
Dale Last  
Michael Hart  
David Crisafulli  
Lachlan Millar  
James Lister  
Colin Boyce  
Pat Weir  
Ann Leahy  
Cotton Australia Staff  
Georgina Davis – QFF  
Mark Neville - LNP