



Queensland
Government

Hon Stephen Robertson MP

Member for Stretton
Ref CTS 21768/10
ME/10/0726

Minister for Natural Resources,
Mines and Energy and
Minister for Trade

Mr Neil Laurie
The Clerk of the Parliament
Parliament House
George Street
BRISBANE QLD 4000

Dear Mr Laurie

I refer to your letter of 29 November 2010 enclosing a copy of Petition No. 1587-10 lodged in the Queensland Legislative Assembly and respond to the matters raised below.

When faced with the very real prospect that the residents of South East Queensland (SEQ) might run out of water, the Queensland Government made the decision to invest \$6.9 billion in the SEQ Water Grid. While recent weather has fortunately filled SEQ's dams, just three years ago, they had fallen to 17% and the region was in the grip of drought.

The State's decision to build the SEQ Water Grid has provided water security for the next generation, with the *South East Queensland Water Strategy* indicating a new source of supply will not likely be needed until 2027, at the earliest.

Despite this large investment, the State's component of water and sewerage bills is relatively small. Only about a quarter of the average bill goes towards the cost of wholesale treated water supplied by the State to council-owned Distributer-retailers. The remainder of the bill is made up of water and wastewater charges levied by the Distributer-retailer.

In many areas, council-owned water and wastewater business charges have increased dramatically in the last year. In the Moreton Bay area, council-owned water and wastewater business charges have increased by \$153 in Caboolture, \$126 in Pine Rivers and \$253 in Redcliffe (after the Moreton Bay Regional Council's 50% subsidy is taken into account). By comparison, the State bulk water charge increased by about \$1 a week.

The government has taken a number of steps to limit the impact of increases in the wholesale water price including:

- establishing a 10 year price path to limit the impact of price increases;
- making a loss of about \$407 million selling water to council-owned water and wastewater businesses;

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- increasing the Pensioner Water Rebate to \$100; and
- foregoing a commercial return on the assets built during the drought, at a cost of over \$1 billion.

A range of options are also open to Distributor-retailers and their council owners to also help minimise the costs of water and wastewater charges on customers.

Despite large increases in water and wastewater charges levied by the Distributor-retailers, councils continue to take profit from these businesses in the form of dividends. Documents submitted to the Queensland Competition Authority (QCA) show large profits are expected to continue in the future.

The Queensland Government understands that rising cost of living is putting pressure on many households. This is why we recently reviewed the bulk water price path, in light of full dams. As part of this review, the Government decided to place the SEQ (Gold Coast) Desalination Facility at Tugun on stand-by, take half part of the Western Corridor Recycled Water Scheme offline and merge the two bulk water supply authorities – WaterSecure and Seqwater.

The revised bulk water price path will deliver a modest saving of \$5 off next year's household bill increase, with this growing to \$31 a year by 2017. But the State bulk water charge is only a small part of the picture. The majority share of water and wastewater bills relates to council-owned water and wastewater business charges.

These recently announced savings build on the \$22 million saving over four years from streamlining the Queensland Water Commission, announced by the Premier last year.

Recently, Queensland Urban Utilities announced it had identified savings that would reduce bill increases by \$10 next year, growing to \$20 in 2012. I challenge the other Distributor-retailers to follow suit.

The QCA is monitoring Distributor-retailers price increases and is due to report in the near future. I keenly await the results of this report. In the meantime, I strongly encourage councils, along with their water and wastewater businesses, to follow the State's lead and put downward pressure on prices through reduced profits and spending, price paths and rebates.

Yours sincerely



STEPHEN ROBERTSON MP