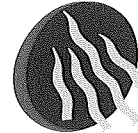




Hon Stephen Robertson MP
Member for Stretton



**Queensland
Government**

**Minister for Energy and
Water Utilities**

Ref: CTS 13636/11
ME/11/0495

- 1 SEP 2011

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

Dear Mr Laurie

I refer to Parliamentary Petition No. 1691-11 lodged in the Queensland Legislative Assembly on 2 August 2011 and referred to Minister Nolan on 4 August 2011. As the matter raised in the Petition falls within my portfolio of responsibilities, I am responding to you directly.

The Petition draws to the attention of the House that for most South East Queensland (SEQ) households, the State Government bulk water charges have more than doubled in three years and will cost struggling families more than \$110 more in two years time.

The petitioners request the House to call on the Queensland Government to implement a price cap at the rate of inflation (March CPI) for annual increases in the State Government bulk water charges for at least two years.

The Government is committed to and has delivered long-term water security so that new bulk water supplies are unlikely to be needed until around 2027, if residential consumption stays below the voluntary 200 litre per person per day target over the long-term.

Through the SEQ Water Grid, the Government has met the challenges of population growth and climate change and has ensured bulk water prices paid by households and businesses are kept to a minimum, already delivering savings to the community:

- The Government has invested \$6.9 billion in new infrastructure to drought-proof SEQ.
- The Government has foregone \$1.7 billion in revenue to minimise the impact of bulk water prices.
- In the 2010-11 financial year, the Government will sell bulk water to council-owned water entities at a loss of \$480 -500 million.

To provide additional financial support to pensioner households, in 2008 the Government also implemented the SEQ Pensioner Water Subsidy Scheme. For 2011-12, the SEQ Pensioner Water Subsidy is \$120. The bulk water price contributes to the cost of the SEQ Water Grid. The State does not make a profit from the SEQ Water Grid which provides long term water security to households and businesses in SEQ. The State will not even reach a break-even point until around 2017-18.

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Introducing efficiencies across the entire grid and taking into account continued household water conservation efforts has enabled the bulk water price path to be revised down. This will deliver savings to every household water bill. For a typical household, the bulk water charge will be around \$5 less than previously announced and additional savings will continue for every year and grow to more than \$30 per year by 2017. For 2011-12, the bulk water price increase is \$54, little more than \$1 per week.

The fact that water bills have still increased is a direct result of many councils under investing in their networks over the long-term. The SEQ distributor-retailers have had to ensure their networks are adequately maintained and extended to meet customer demand. The council owners of the distributor-retailers do receive a financial return from these businesses. Many have chosen not to provide financial support to their community.

The current model of three council owned distributor-retailers providing water and wastewater services in SEQ was proposed and endorsed by the SEQ councils in May 2009. The SEQ councils received a total of \$1.9 billion in compensation for the acquisition of their bulk services.

On 7 April 2011, the Premier announced measures to force councils to accept their responsibility for water pricing in direct response to the SEQ community call for the Government to take action against the high water and wastewater prices being charged by the council owned distributor-retailers.

The *Fairer Water Prices for SEQ Amendment Act 2011* imposes a maximum cap of Consumer Price Index (CPI) on the distribution and retail component of a water and sewerage bill. This cap to limit price increases to no more than CPI commenced on 1 July 2011 and is to apply for two years until 30 June 2013. This will see price increases in many areas at less than half the amount councils had been preparing to allow their distributor-retailers to introduce.

SEQ councils were also given a once-only opportunity to withdraw from their distributor-retailer and re-establish a directly controlled council owned and operated water business within council. It is expected that a council taking back its water businesses has decided it can deliver to its community high quality water and wastewater services at affordable prices.

As you would be aware, the participating Councils of the Northern SEQ distributor-retailer, Unitywater and, the Central SEQ distributor-retailer have advised they wish to continue their water businesses under the distributor-retailer model. The participating councils of the Southern SEQ distributor-retailer, Allconnex Water are Gold Coast City Council (GCCC), Redland City Council (RCC) and Logan City Council (LCC). GCCC has decided to withdraw from Allconnex Water. On the basis of GCCC's decision, RCC and LCC have made commercial decisions to also withdraw from Allconnex Water.

The Government would expect withdrawing councils to publish a price mitigation plan to manage future price increases after the CPI cap period. Councils must also implement at least a five year quantifiable price path.

The Government will progress legislation to implement these council decisions. The Government has set a final date of 1 July 2012 for these council specific water businesses to be operational.

The Government does fully appreciate the impact of rising prices on households and will continue to consider options to implement efficiencies and savings. The Government expects council water businesses (either within council or council owned distributor-retailers) to do the same.

The Queensland Government has been open and transparent about the bulk water price and expects the council water businesses (either within council or council owned distributor-retailers) to be equally transparent and accountable.

Should you have any further enquiries, please do not hesitate to contact Ms Gayle Leaver, General Manager, Water Reform of the Queensland Water Commission on telephone 3405 0351.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Robertson', with a long horizontal flourish extending to the right.

STEPHEN ROBERTSON MP