



Hon Stephen Robertson MP

Member for Stretton

Ref CTS 21812/10
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**Queensland
Government**

**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. 1589-10 lodged in the Queensland Legislative Assembly, and respond to the matters raised below.

The State government has taken steps to ensure that its part of water bills (i.e. the bulk water component) will become consistent across all council areas. This is a transparent decision reflected in the published bulk water price path. Before the State took over the supply of treated bulk water, each council area had a different water price. For this reason, it will take some time for a single bulk water price to be implemented across South East Queensland (SEQ).

However, the only element of water and wastewater prices controlled by the State is the wholesale price for treated bulk water, sold to the council-owned water and wastewater businesses. This bulk water charge makes up only a quarter of the typical bill. Consequently, the water and wastewater charges levied by the council-owned Distributor-retailers are a much larger driver of price difference between areas.

The current model of three council-owned Distributor-retailers was proposed by the Council of Mayors SEQ in May 2009. Each of the three council-owned water and wastewater business set their own prices, and councils, or their water and wastewater businesses, should be contacted regarding differences in prices between council areas.

When faced with the very real prospect that the residents of 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%, leaving the region 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 2022, at the earliest.

Level 17
61 Mary Street Brisbane 4000
PO Box 15216 City East
Queensland 4002 Australia
Telephone +61 7 3225 1861
Facsimile +61 7 3225 1828
Email nrmet@ministerial.qld.gov.au

Despite this large investment, the State's component of water and wastewater 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 the Distributor-retailers. The remainder of the bill is made up of water and wastewater charges levied by the Distributor-retailers.

In many areas, council-owned water and wastewater business charges have increased dramatically in the last year. In the Moreton Bay area, Distributor-retailer 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 Queensland 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 approximately \$407 million selling water to council water businesses;
- 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-retails and their owner councils to also help minimise the costs of water and wastewater charges on customers.

Despite large increases in water and wastewater charges levied by Distributor-retailers, councils continue to 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 the 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 Queensland Government decided to place the SEQ (Gold Coast) Desalination Facility at Tugun on stand-by, partake half 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 off 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-retailer 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

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

STEPHEN ROBERTSON MP