



Queensland
Government

Hon Stephen Robertson MP
Member for Stretton

Ref CTS 03140/11
ME/11/0107

Minister for Energy and
Water Utilities

18 MAR 2011

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

Dear Mr Laurie

I refer to your letter of 17 February 2011 enclosing a copy of Petition No. 1521-11 lodged in the Queensland Legislative Assembly.

The Petition requests that the House call on the Government to instigate a thorough review of the new water entities' pricing arrangements due to the unprecedented cost increase between local government jurisdictions and to table all findings of the review.

When faced with the very real prospect that the residents of south east Queensland might run out of water, the Queensland Government took responsibility for water security in south east Queensland and made the correct decision to invest in the SEQ Water Grid which connects the major water sources and enables water to be distributed to where it is most needed.

While recent weather has fortunately filled south east Queensland's dams, just three years ago they had fallen to 17 per cent, leaving the region in the grip of drought and vulnerable to the risks of an increasingly variable climate.

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.

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

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

The State Government has taken steps to ensure that its part of water and wastewater bills (for example, 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.

The Queensland Government has also been mindful of the impact of price increases on customers and has implemented a number of 'customer protection' measures 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.

In December 2010 the Government announced a \$5 saving off the bulk water price increase for next year. Additional savings will continue every year and will grow to more than \$30 per household by 2017.

The Queensland Government has delivered on its commitment to water security and is happily accountable for its 25 per cent component of a household water and wastewater bill.

The formation of the three council-owned Distributor-retailers, endorsed by south east Queensland councils in May 2009, ensures a higher level of technical expertise for these larger regions, provides the economies of scale to identify and implement efficiencies, and enables long-term planning to deliver reliable services to customers.

The Government directed the Queensland Competition Authority to independently monitor retail prices set by the council-owned water and sewerage businesses to ensure these businesses can justify the retail prices they set against the costs they incur in delivering water and sewerage services.

The Queensland Competition Authority recently released its Draft Interim Price Monitoring Report for 2010-11. This report shows the south east Queensland water reforms are working. The Queensland Competition Authority only accepted \$736 million in a total of \$943 million in capital expenditure proposed by the three south east Queensland water businesses. The Queensland Competition Authority has also recommended the water businesses target a two per cent productivity improvement in their operating costs. The Queensland Competition Authority is to provide a final report by 31 March 2011.

Clearly there are substantial changes to doing business in water and wastewater services in Queensland occurring, but there is still much more to be done.

The Distributor-retailers are accountable for 75 per cent of a household water and wastewater bill. The Distributor-retailers make a profit. While some of this profit needs to be reinvested to ensure infrastructure is able to meet increasing customer demands, councils can utilise some of the financial returns from the Distributor-retailers to provide direct assistance to customers in need, such as pensioners and not-for-profit organisations.

The Queensland Government progressed legislative amendments in late 2010 to require the south east Queensland councils to include in their Annual Report, details of the profits distributed to them from their Distributor-retailer, as well as, any payments made by council to the Distributor-retailer, including any community service obligation or subsidy payments.

Equally, the water businesses themselves need to consider and take into account the impacts of significant price increases and, where possible, implement a price path to ease these impacts.

The Queensland Government, in response to this petition, urges the councils and their water businesses to listen to their residents' concerns and urgently implement measures to reduce water and wastewater price increases.

Should you have any further enquiries, please do not hesitate to contact Ms Gayle Leaver, Acting General Manager, Water Reform of the Queensland Water Commission on telephone 3405 3550.

Yours sincerely

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

STEPHEN ROBERTSON MP