

Community, Environment
& Industry in Partnership

R.D.

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Office
of the
Mayor

Mr Larney:TLS:WS1

8 February 2005

Mr Darryl McDonough
Chairman
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr McDonough,

I refer to the letter of 3 February 2005 from your office and the accompanying letter signed by you as Chairman to the Mt Larcom Chamber of Commerce.

These letters were tabled at Council's meeting held on 4 February 2005. At this meeting Council expressed its disappointment and concern with the accuracy of the facts contained in your letter. The true position is as follows:

- ✓ While it is a draft report, it is Council's understanding that the final report will not be released until it is signed off by the State Government. Accordingly, this is the only opportunity for stakeholder comment. Obviously it would be too late to raise concerns after the report has been adopted;
- ✓ Separate pricing has not been provided for Boyne Island as intimated in your fact 3. Council only hopes that the correct infrastructure has been included in the calculation of the indicative maximum prices;
- ✓ Fact four while technically correct presumes that Council has the ability to print money. Based on the indicative price for Mt Larcom, this equates to a cost of \$400,000 per annum for 45 mega litres of water. Put another way, it equates to a potential annual cross-subsidy of over \$100 per household in the balance of the Shire. The unavoidable reality is that, at the end of the day the only source of Council funds is, the ratepayer; and
- ✓ Council has applied the Code of Competitive Conduct; however the Local Government Act does not require Councils to recover the full cost of supplying water to its customers as stated in your letter. Council has argued with the QCA for at least five years that the landholders within the defined water and sewerage areas are the true equity holders of the infrastructure and therefore should not be required to pay a rate of return. A search of your records will confirm that Council has not wavered from this view.

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This letter appears to be nothing more than an attempt to deflect responsibility for decision making from the QCA to Council, GAWB and even the water consumers of this region. The objectives of monopoly prices oversight (Page vi of the draft report) include ensuring that pricing practices promote the public interest. My Council, and the community it serves respectfully request that you reassess the draft report against this objective. How can it be in the public interest to divide communities by charging differing prices for the same commodity from the one source? The government don't do it with electricity, phone or reticulated gas networks! The QCA is not even consistent with its argument when it then does a "Pontius Pilate" and suggests that the Council can achieve this objective in its own pricing structure.

Finally, my Council believes that the QCA should be prepared to stand before the community and argue its position and ultimately explain its recommendations face to face with the community which will be directly affected by its recommendations.

Yours faithfully

A handwritten signature in cursive script that reads "George Creed".

George Creed
Mayor