



QLD COMPETITION AUTHORITY

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8 February 2005

Mr E. Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
BRISBANE Qld. 4001

RE: Gladstone Area Water Board: 2004 Investigation of Pricing Procedures Draft Report

Dear Mr Hall,

I thank you for the opportunity to respond to your draft report and I do so as a resident in the region and as a Councillor on the Calliope Shire Council. In both rolls I have numerous concerns about the report for a number of reasons.

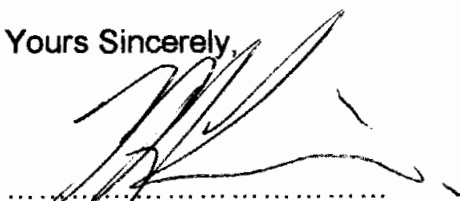
1. Lack of supporting information to determine how the suggested prices were calculated. It seems a little absurd to suggest an organisation can respond to such a comprehensive document when the crucial details have been omitted. To my understanding these concerns are shared by (at least) GAWB as well. Before the final draft is complete I ask that these figures and calculations be divulged to concerned parties with enough time for them to be analysed.
2. The separation of Mt. Larcom from the price equalisation arrangement. To my understanding, Mt. Larcom has been included in this agreement for a long time. At a meeting between Calliope Shire Council representatives and representatives of the Queensland Competition Authority (Notes of a meeting held at Calliope Administration Centre, July 21st 2004), Mr Stankiewicz said, *'he was seeking any other documentation that Council may have in relation to water pricing which may be relevant to the QCA's further water pricing investigation'*. While I have not viewed all the documentation sent to your office, I would be very surprised if your officers did not know Mt. Larcom had been included in this agreement to date. If they did not then surely some investigations should have been done before the pricing was calculated. Furthermore, Mr Stankiewicz advised, *'that in the absence of a legally binding contract, the QCA would look at price equalization from an economic perspective and investigate if the existing water network should*

be considered as a whole network in relation to pricing, taking into consideration the historical network configuration (Notes of a meeting held at Calliope Administration Centre, July 21st 2004). Given Mt. Larcom is part of the whole network (Gladstone City and Calliope Shire combined), than why has it been separated?

3. The suggested 23.3% increase for urban areas is again a worry. Any errors in calculation could cause artificially high prices across the network and region. Linked to point one above, and acknowledging a lot of heat has erupted over the 'shocking' price of water suggested for Mt. Larcom, if any error or inappropriate information has been included in the calculation of water costs, the impacts are felt across the region. The Calliope Shire Council submission directs the QCA to many questionable items that have been included in your calculations (e.g. ownership of infrastructure in the Yarwun Area, duplication of pumps and pipelines and headwork charges for new (industrial) customers). This is on top of your ironic position (stated in the letter to Mrs Karen Willcocks of Mt. Larcom dated 2nd February 2005 and signed by Mr McDonough) that prices need to increase because consumers were dutiful in reducing consumption during the drought, needs to be seriously readdressed.
4. Concerns regarding communications from your office and officers. In the meeting between the QCA representatives and Calliope Shire Council representatives (July 21st, 2004). Mr Stankiewicz advised that, *'It is the responsibility of the Board to calculate maximum prices consistent with the pricing practices approved by the Ministers. The Board is not obliged to charge the maximum prices, however, in the absence of competition, it is likely the Board would apply the maximum.*' Yet in the letter from Mr McDonough (address to Mrs Willcocks 2nd Feb. 2005) your stance is that, *'The actual prices charged by GAWB are to be determined by commercial negotiation between GAWB and its customers'*. It seems your office knows how the system works but your scribes are playing word games. Please ensure you are consistent.
5. Finally the social cost of such a high water charge, whether directly or indirectly, on the people of Mt. Larcom will spell the end for many of the residence, especially the businesses. While I am lead to believe your office does not 'have' to consider such impacts I cannot see how it can be excluded from your consideration. Should prices become excessive to the point that local consumers have to make alternative arrangements, than this further escalates the price and so on and potentially isolates large amounts of infrastructure. In this way social impacts of your decisions must be considered.

Again I thank you for the opportunity to reply to your draft report.

Yours Sincerely,



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Todd Comrie