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Office of the CEO

**Moreton Bay**  
Regional Council

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Our Ref A9646164 (A9642050)  
Your Ref  
Date 2<sup>nd</sup> July 2014

QLD COMPETITION AUTHORITY

- 7 JUL 2014

DATE RECEIVED

The Hon Tim Nicholls MP  
Treasurer and Minister for Trade  
GPO Box 611  
BRISBANE QLD 4001

Dear Minister

## **BULK WATER PRICES IN SOUTH EAST QUEENSLAND 2015-2018 SUBMISSION TO THE QUEENSLAND COMPETITION AUTHORITY**

The Moreton Bay Regional has made a submission to the Queensland Competition Authority in regards to its review of SEQWater Bulk Water Prices for the period 2015 to 2018. Please find attached a copy of the Council report and associated resolutions for your information.

For the reasons set out in the attached report, Council wishes to make representations to you that the State Government should not proceed with the proposal to recoup the "price path debt" created by the current bulk water prices path as this will lead to higher water prices. However, if the decision is made to proceed with this proposal, then the State Government should ensure that each local government area repay the "price path debt" as allocated to that area, thus continuing the unequal bulk water price until this debt has been redeemed.

The Council also submits that the Redland, Sunshine Coast and Noosa local government areas' price paths should not be continued for a further two years as this would continue the inequity of bulk water prices.

Further the Council submits that the restructure of the bulk water entities from 5 to 1 and the resultant efficiency gains should translate to lower bulk water prices and those operational efficiencies should continue to be driven to achieve lower bulk water prices.

For further information please contact Keith Pattinson, Manager – Financial and Project Services on 07 3480 6422 or email [Keith.Pattinson@moretonbay.qld.gov.au](mailto:Keith.Pattinson@moretonbay.qld.gov.au).

Yours sincerely

Daryl Hitzman  
Chief Executive Officer

Enc: Council Report – QCA Review of SEQWater Bulk Water Prices 2015-2018  
cc: All State Members for the region and Queensland Competition Authority

### Customer Service Contacts

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Hon Andrew Powell MP  
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Hon Tim Mander MP  
Member for Everton  
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**1 GOVERNANCE SESSION**

(Cr Mike Charlton, Acting Mayor)

**ITEM 1.1**

**QUEENSLAND COMPETITION AUTHORITY (QCA) REVIEW OF SEQWATER BULK WATER PRICES 2015-2018 - REGIONAL**

*Meeting / Session:* 1 GOVERNANCE  
*Reference:* A9591551 : 17 June 2014  
*Responsible Officer:* KP, Manager - Financial and Project Services (CEO Financial & Project Services)

**Executive Summary**

The Treasurer and Minister for Trade with the Queensland State Government has requested the Queensland Competition Authority (QCA) to conduct a review of SEQWater Bulk Water Prices 2015-2018 and the conduct of this review was advertised in the Courier Mail on Saturday on Saturday, 1 May 2014.

**COMMITTEE RECOMMENDATION**

Moved by Cr Brian Battersby

Seconded by Cr Julie Greer

CARRIED 12/0

1. That the Council submit to the Queensland Competition Authority that:
  - (a) The State Government not proceed with the proposal to recoup the "price path debt" created by the current bulk water prices path as this will lead to higher water prices. However, if the decision is made to proceed with this proposal, then the State Government should ensure that each local government area repay the "price path debt" as allocated to that area, thus continuing the unequal bulk water price until this debt has been redeemed.
  - (b) The Redland, Sunshine Coast and Noosa local government areas' price paths not be continued for a further two years as this would continue the inequity of bulk water prices;
  - (c) The restructure of the bulk water entities from 5 to 1 and the resultant efficiency gains should translate to lower bulk water prices
  - (d) Further operational efficiencies should be driven to achieve lower bulk water prices.
2. That a copy of this report be included as part of Council's submission.
3. That Council distribute a copy of its submission to local State Members.

ITEM 1.1 QUEENSLAND COMPETITION AUTHORITY (QCA) REVIEW OF SEQWATER BULK WATER PRICES  
2015-2018 - REGIONAL - A9591551 (Cont.)

OFFICER'S RECOMMENDATION

That the Council submit to the Queensland Competition Authority that:

- a) The State Government should not proceed with the proposal to recoup the "price path debt" created by the current bulk water prices path as this will lead to higher water prices. However, if the decision is made to proceed with this proposal, then the State Government should ensure that each local government area repay the "price path debt" as allocated to that area, thus continuing the unequal bulk water price until this debt has been redeemed.
- b) The Redland, Sunshine Coast and Noosa local government areas' price paths not be continued for a further two years as this would continue the inequity of bulk water prices;
- c) The restructure of the bulk water entities from 5 to 1 and the resultant efficiency gains should translate to lower bulk water prices; and
- d) Further operational efficiencies should be driven to achieve lower bulk water prices.

**REPORT DETAIL**

**1. Background**

The last review conducted by the QCA for the SEQ Bulk Water prices was for the 2012/13 period with the QCA's final report being published on its web site on 16 July 2012. This review showed that SEQ bulk water prices at that time (eg average of \$2,015/ML) were only recovering approximately 59% of the efficient and effective cost of the provision of bulk water to SEQ. This review stated that the QCA considered the price of \$3,431/ML to be sufficient to fully recover the cost of delivering bulk water to the region.

**2. Explanation of Item**

The current bulk water price path (see table below) indicates that SEQ Local Government areas are on an unequal price path to a final price of \$3,217/ML by the 2017/18 financial year. Given the outcome of the 2012 review this price is still only recovering approximately 94% of the full cost of delivering bulk water to SEQ.

This means that since implementation, the SEQ water grid has not been recovering the full price for the delivery of bulk water to the region. As a result, the region is accumulating what is called a "price path debt". In the Treasurer's referral to the QCA he has requested that this "price path debt" be recouped from future water prices by the year 2027/28. It is believed that it is inequitable for this debt to be recovered from all local government areas equally, as some local government areas followed a much slower price path than others, thus incurring a far greater "price path debt" than those whose price path was higher earlier in the path.

It is therefore submitted that this debt, should be -

- written off by the State Government and not recovered from future water prices as this does not match the cost of the water to its consumption and it is inequitable to charge costs incurred today on the users of the future.

However, if the decision is made to proceed with this proposal, then -

- all local government areas should "repay" the "price path debt" as allocated to each local government area in the same proportion as they have been contributing to the recovery of bulk water costs since the beginning of the price path, ie the slower and longer the path to a common price, the more the local government area is contributing to the price path debt, the more it should repay that debt.

If the latter option is adopted, then this should lead to higher bulk water prices for the period stipulated by the Treasurer (ie. up to the year 2027) for those local government areas in order to recoup their portion of the "price path debt".

## Moreton Bay Regional Council

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### ITEM 1.1 QUEENSLAND COMPETITION AUTHORITY (QCA) REVIEW OF SEQWATER BULK WATER PRICES 2015-2018 - REGIONAL - A9591551 (Cont.)

Also, in the Minister's referral notice he refers to extending the current pricing allowance given to Redland, Sunshine Coast and Noosa local government areas by two years. This is not equitable to all other water consumers in south-east Queensland and is not supported. If this inequity continues and is extended then these local government areas (as previously stated) should contribute more to the repayment of the "price path debt" as they would be continuing to contribute to the size of this debt.

Since the previous review it is noted that the number of entities involved in the delivery of bulk water to SEQ has decreased (from 5 to 1). It is unknown what affect this restructure should have on prices but this should play some part in reducing the cost of bulk water and thus the price to consumers.

#### Bulk water prices (\$/megalitres)

Council	2013-14	2014-15	2015-16	2016-17	2017-18
Brisbane	\$2,302	\$2,547	\$2,792	\$3,037	\$3,217
Gold Coast	\$2,470	\$2,715	\$2,960	\$3,139	\$3,217
Ipswich	\$2,238	\$2,483	\$2,728	\$2,973	\$3,217
Lockyer Valley	\$2,495	\$2,740	\$2,985	\$3,139	\$3,217
Logan	\$2,628	\$2,873	\$3,062	\$3,139	\$3,217
Moreton Bay	\$2,437	\$2,682	\$2,927	\$3,139	\$3,217
Redland	\$1,717	\$1,962	\$2,207	\$2,452	\$3,217
Scenic Rim	\$2,602	\$2,847	\$3,062	\$3,139	\$3,217
Somerset	\$2,872	\$2,988	\$3,062	\$3,139	\$3,217
Sunshine Coast	\$1,855	\$2,100	\$2,345	\$2,590	\$3,217

### 3. Strategic Implications

#### 3.1 Legislative/Legal Implications

The referral notice issued by the Minister to the QCA is in accordance with s23 of the Queensland Competition Authority Act 1997.

#### 3.2 Corporate Plan / Operational Plan

Strengthening Communities: Office of the CEO - overall leadership and coordination of council activities.

#### 3.3 Policy Implications

Nil

#### 3.4 Risk Management Implications

Nil

#### 3.5 Delegated Authority Implications

N/A

#### 3.6 Financial Implications

The recommendations of this report have no financial implication on Moreton Bay Regional Council.

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3.7 Economic Benefit

It is the aim of the Moreton Bay Council to do what it can to reduce the cost burden of the State Government's water reforms on the residents of the region. The recommendation contained in this report are targeted to this outcome.

3.8 Environmental Implications

Nil

3.9 Social Implications

It is the aim of the Moreton Bay Council to do what it can to reduce the cost burden of the State Government's water reforms on the residents of the region. The recommendation contained in this report are targeted to this outcome.

3.10 Consultation / Communication

Nil

## 2 PLANNING & DEVELOPMENT SESSION

(Cr Mick Gillam)

No items for consideration.