

Community, Environment
& Industry in Partnership

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PLEASE ADDRESS ALL
CORRESPONDENCE TO THE
CHIEF EXECUTIVE OFFICER

IN REPLY PLEASE QUOTE OUR REFERENCE

Ref: Mr Larney: tjd: WS1/A

"Think Safety - It's No Accident!"

YOUR REFERENCE

29 May, 2007

QLD COMPETITION AUTHORITY
-- 1 JUN 2007
DATE RECEIVED

Queensland Competition Authority
G P O Box 2257
BRISBANE QLD 4001

Dear Sir/ Madam,

**RE: PROPOSED PRICING PRACTICES OF THE GLADSTONE
AREA WATER BOARD**

Thank you for the opportunity to make a submission in relation to the above investigation.

The cost of constructing the Fitzroy River pipeline is considerable and given drought and industrial conditions this cost will only continue to increase, which will have a significant impact on water prices particularly if the pipeline is built for drought mitigation reasons before it is needed to meet long term demand growth.

Gladstone Area Water Board's drought management plan has always recognised the fact that domestic consumers have a greater ability to reduce consumption in times of drought than major industry which could ultimately be forced to shut down if water consumption is severely restricted. During the last drought, industrial customers of the Gladstone Area Water Board were required to reduce consumption by 25% while at the same time residential customers were required to reduce consumption by 50%. Councils and residents supported this strategy because of this region's dependency on major industry for employment and economic prosperity. However, Calliope Shire Council would argue that if the pipeline is built for drought mitigation reasons, than those industries which are reliant on this safety net should be the customers who pay for the bring forward costs of the pipeline until such time as the water from the Fitzroy River is permanently required to meet increased demand above the yield available from Lake Awoonga.

Previous QCA pricing investigations have argued for a nodal pricing methodology. This methodology has been to the significant disadvantage of the residents of Calliope Shire with water prices being approximately 50% higher than Gladstone City residents even though the water is from the same dam, which is

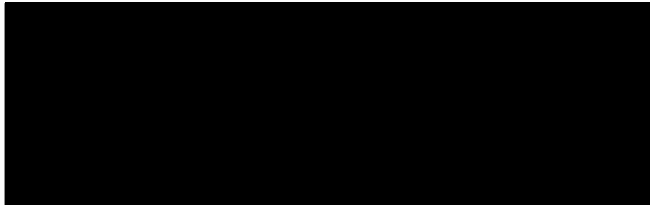
actually located in Calliope Shire. Calliope Shire Council and its residents would be rightly dismayed and angry if once the pipeline is built from the Fitzroy River that the pricing methodology is changed to a postage stamp price. This would in Council's view be an admission by the QCA that their previous pricing deliberations was fundamentally flawed and would call into question whether Calliope Shire Council has been overcharged under the current methodology and is therefore entitled to a refund.

Calliope Shire Council would also argue that a postage stamp price for raw water and a nodal price for treated water would be singling only one customer out for different treatment to all other Board customers. The QCA's recommendations must reflect consistency between all customers.

Clearly the new pipeline does create a fundamental pricing problem for the Gladstone Area Water Board if Fitzroy River water is mixed with Lake Awoonga water. Future increases in demand will predominately come from new industry in the State Development Area which is located in the northern limits of GAWB's delivery network. It would therefore seem logical that these industries should be supplied with Fitzroy River Water and accordingly pay the full cost of this water.

Should you require any information in relation to this submission please do not hesitate to contact Mr Mark Larney Council's Director of Corporate and Community Services or myself.

Yours faithfully,



GRAEME KANOFSKI
CHIEF EXECUTIVE OFFICER