



Hon Stephen Robertson MP
Member for Stretton



**Queensland
Government**

13 JUL 2011

**Minister for Energy and
Water Utilities**

Ref CTS 10670/11
ME/11/0355

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

Dear Mr Laurie

I refer to your letter of 15 June 2011 enclosing a copy of Petition No.1635-11 lodged in the Queensland Legislative Assembly.

The Government has always been mindful of the impacts of prices on residents. However, equally, the Government has not shirked its responsibility of ensuring long-term water security within the challenges of population growth and climate variability.

The Government took on this responsibility when the SEQ Councils were unable to respond effectively to the Millennium Drought. The State also took over the bulk water assets of the Councils, compensated the Councils \$1.9 billion for those assets, and commenced the construction of the SEQ Water Grid.

The SEQ Water Grid is operational and is the lynch pin that provides water security in south east Queensland, ensuring that residents are no longer reliant on a single source of supply such as a local dam or the uncertainty of rainfall. The SEQ Water Grid connects the region's major water sources (including desalination and purified recycled water) enabling water to be distributed across the region to where and when it is required, during droughts and/or floods. The SEQ Water Grid has delivered on the Government's commitment to water security with no new source of supply likely to be needed until around 2027.

The Grid response has come at a cost but it enables south east Queensland's residents to continue to maintain a high quality lifestyle. The Government has acted to ensure that bulk water price rises are kept to a minimum, by:

- establishing a bulk water price path, in May 2008, to gradually increase bulk water prices over a 10 year period;
- foregoing a commercial return on its investment in drought-proofing south east Queensland;

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

- accepting approximately \$499 million financial loss for water supplied to the council-owned water business for the 2010-11 financial year, effectively a subsidy of \$427.43 per residential and non-residential property; and
- providing for a south east Queensland pensioner water subsidy.

The pensioner subsidy has been provided since July 2008 and for the 2011-12 financial year this will increase by \$20, to \$120 per year.

Unfortunately, since the council owned Distributor-retailers were established, water and wastewater prices have increased substantially. Many Councils have historically failed to reinvest funds to pay for necessary infrastructure to meet customer demand. Consequently, the Distributor-retailers had to increase prices to ensure that assets are adequately maintained, the environment is protected, and increased demand can be met without a lowering of water quality.

The State requested Councils to moderate price increases, either through reducing their financial returns from their Distributor-retailers or providing rebates or subsidies to their residents. This has generally not occurred.

The State had no choice but to intervene and address the concerns from the south east Queensland community about unmanageable price increases. *The Fairer Water Prices for SEQ Amendment Bill 2011*, passed in Parliament on 18 June 2011, imposes a price cap on the annual distribution and retail water and wastewater (sewerage only excluding trade waste and recycled water) prices for households and small businesses from 1 July 2011. The cap will limit any increase to no more than the Consumer Price Index (CPI) for the next two years. I have attached a current fact sheet explaining water pricing in south east Queensland and the impact of the CPI cap (Attachment 1). This will mean that the Gold Coast residents will now save \$116 on their water bills compared to if we had not acted to introduce a cap.

The Government agrees that residents should have ready access to a safe and reliable potable water supply. The delivery of the SEQ Water Grid ensures that south east Queensland residents receive secure, high quality drinking water through council-owned water businesses, who then supply households and businesses. The challenge of water pricing for governments is finding a balance ensuring the long-term security, reliability of supply, and quality and affordability for the community.

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

Yours sincerely



STEPHEN ROBERTSON MP

Enc

Water and sewerage bills in Gold Coast – the facts

Water and sewerage bills have two parts

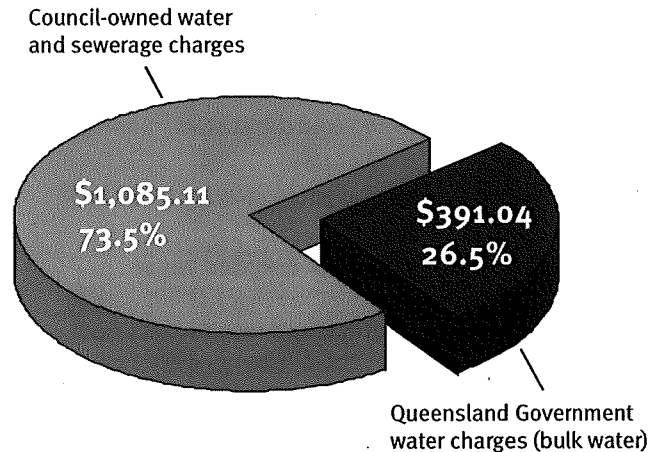
Charges imposed by Council-owned Allconnex Water include:

- Water consumption charges – based on the amount of water used.
- Fixed water access charges – for connection to the water network.
- Fixed sewerage charges – for connection to the sewerage network.







Queensland Government water charges (bulk water)

Queensland Government charges are limited to the cost of wholesale treated drinking water delivered to Allconnex Water.

Where your water and sewerage bill payment goes



Based on an average Gold Coast water and sewerage bill of \$1,476.14

Average household bill for 2011–12 financial year		Components of total bill in 2011/12		Savings achieved on total bill in 2011/12					
Allconnex Water	Comparison of councils	Queensland Government bulk water charge \$	Council-owned water and sewerage charge \$	Distributor/retailer additional savings \$	Minimum savings through State CPI cap \$				
						\$0	\$200	\$400	\$600
Gold Coast									
Bill before cap		391	1201	n/a	116				
Bill with savings		391	1085	n/a	116				
Logan									
Bill before cap		423	1107	n/a	111				
Bill with savings		423	997	n/a	111				
Redland									
Bill before cap		240	1217	n/a	87				
Bill with savings		240	1129	n/a	87				

Figures based on a three person household using 180 litres per person per day, equivalent to 200 kilolitres per year.

n/a: Final water and sewerage charges have not yet been submitted. If no additional savings are achieved by the Distributor-retailer upon announcement of the final charges, the household will still achieve a saving through the State introduced CPI cap.

What has the Queensland Government done to ease the cost of water?

Made sure SEQ has a secure water supply into the future

Water supply in South East Queensland (SEQ) is now secure. This is because the SEQ water grid moves water from where it is plentiful to where it is needed, the community continues to save record amounts of water and the dams are full. The desalination plant is also available when needed, such as providing clean drinking water during the recent floods.

Reduced the costs of operating the water grid

The State Government has reduced the costs of running the water grid by:

- operating the desalination plant in standby mode until dams fall to 60 per cent
- taking half the Western Corridor Recycled Water Scheme off-line, and keeping the other half running to supply water to power stations and industry. Purified recycled water will not be added to dams until they reach 40 per cent
- merging state water authorities Water Secure, responsible for desalinated water and purified recycled water, and SEQ Water, which supplies water to the SEQ Water Grid Manager.

Kept the bulk water price in check

The State Government is protecting customers in SEQ from price impacts.

The Queensland Government's bulk water price has been controlled through a 10 year price path announced in May 2008. This price path eased the price impact of the SEQ water grid for customers.

In 2010, the price path was revised down, to take account of operational savings and continued world-class water conservation by SEQ households.

This will mean for the average household* in 2011–12, the state bulk water price will increase by \$5 less than previously announced and water price increases will now be lower than predicted every year. The bulk water price increase for 2011–12 is \$54.

What the price path means is that the Government is:

- selling water to the council-owned water businesses at a loss of \$499 million this year
- not making a profit on the \$7 billion investment in the water grid

The Government is also providing a SEQ pensioner water rebate of up to \$120.

*An average household consists of three people using 200 litres/person/day, equivalent to 200 kilolitres per year.

Introduced a price cap on distributor-retailer charges

In 2011 the State Government imposed a two-year price cap on annual distribution and retail water and sewerage charges raised by the distributor-retailers to households and small businesses.

The cap will limit any increases in these charges for customers to no more than the Consumer Price Index (CPI) between 1 July 2011 and 30 June 2013.

In 2008, as part of securing water supplies in SEQ, the Queensland Government paid Gold Coast City Council over \$560 million for the acquisition of their bulk water assets.