

27 December 2010

The Hon Stephen Robertson M.P.
Queensland Minister for Natural Resources

Re: Correspondence dated 17 December 2010

Dear Hon Minister,

Thank you for your letter Ref. MO/10/2826, MO/10/3104, CTS 11226/10, and ME/10/0387 date 17 December 2010. There are assertions made in this correspondence which are inconsistent with information received by another former member of Coolum Beach Residents Association sharing my concerns over Unitywater's budgeted service charges for 2010/11.

In paragraph three of your letter it is asserted that Unitywater, owned jointly by the Sunshine Coast and Moreton Bay Regional Councils, has responsibility and is accountable for setting retail water and sewerage service prices for Coolum Beach and other Sunshine Coast households formerly serviced by SunshineCoast Water and Maroochy Water Services.

Please now refer to correspondence dated 23 August 2010 from Unitywater that is attached. You will note that the CEO of Unitywater suggests in paragraph three that bulk water charges are passed through to retail customers as an operating expense. You will further note that paragraph four asserts that Unitywater's Regulatory Asset Base (RAB) for calculation of the return of the capital component of service charges embedded in Unitywater's 2010/11 service charges to retail customers was determined and assigned by the Queensland Government.

Please now refer to correspondence dated 26 July 2010 (Ref. QTO-09535) from the Office of the Queensland Treasurer that is also attached. It can be noted the first paragraph of page two asserts that the Hon. Minister for Natural Resources determined RAB valuations to be used by Unitywater for that government owned commercial entity's 2010/11 Budget. In paragraph four of page two it is stated that bulk water charges are set by the Queensland Government following advice from the Queensland Water Commission.

The third paragraph of page two of your letter dated 17 December suggests that the Queensland Competition Authority (QCA) independently monitors retail prices set by Queensland Government owned commercial entities such as Unitywater. This is misleading. QCA's present terms of reference determined by the Ministers QCA (The Premier and Treasurer) require provision of transparent information to customers about the costs and other factors underlying **annual increases** in water and wastewater prices etc. for 2010/11, 2011/12 and 2012/13. The QCA **is not authorized by the Ministers QCA** to perform independent investigations of 2009/10 and prior year pricing determinations including the 2007/March'08 RAB determinations by Sunshine Coast Regional Council that established the foundation upon which these 2010/11 water and sewerage retail price increases are based.

Clarification of the inconsistent information cited above, and correction of misleading information regarding the QCA's present price monitoring role contained in correspondence of 17 December would be appreciated.

Yours sincerely,

Amy-Rose West

Attachments: Letter CEO Unitywater to R. Koerner dated 23 August 2010;
Letter Treasurer's Office to R. Koerner dated 26 July 2010.



Hon Stephen Robertson MP
Member for Stretton



**Queensland
Government**

Ref MO/10/2826, MO/10/3104
CTS 11226/10
ME/10/0387

**Minister for Natural Resources,
Mines and Energy and
Minister for Trade**

17 DEC 2010

Ms Amy-Rose West
26 Spindrift Avenue
COOLUM BEACH QLD 4573

Dear Ms West

I refer to your correspondence addressed to the Honourable Desley Boyle MP, Minister for Local Government and Aboriginal and Torres Strait Islander Partnerships concerning the pricing of water and sewerage charges levied in the Sunshine Coast region.

I am advised that Minister Boyle has contacted you directly in a letter dated 11 June 2010 regarding the issues that fall within her portfolio responsibilities.

Minister Boyle has referred to me the issue you raised with respect to the amalgamation of the Sunshine Coast Regional Council and the Moreton Bay Regional Council water and sewerage businesses into a water and sewerage business jointly owned by both councils.

As of 1 July 2010, the responsibility for setting retail water and sewerage prices in South East Queensland (SEQ) transferred to the three new Council-owned water and sewerage businesses. The current model of three Council-owned Distributor-retailers providing water and wastewater services in SEQ was proposed and endorsed by the SEQ Councils in May 2009. The Distributor-retailers were created as part of the SEQ urban water reforms which are aimed at:

- improving water supply security
- increasing efficiency over time by reducing the number of entities responsible for water and sewerage delivery from 21 to seven specialist and focussed entities
- introducing consistency in customer service standards
- ensuring water infrastructure is maintained and upgraded in a timely and efficient way.

As you are aware, the Distributor-retailer responsible for water and sewerage services covering the Sunshine Coast local government area is Unitywater. Unitywater has been established with an independent and commercial board that is accountable for setting water and sewerage prices.

On 25 June 2010, Unitywater announced that retail water and sewerage prices would increase by 10% for Sunshine Coast residents. For Sunshine Coast residents this means an increase in the average household water and sewerage bill of \$104 per annum (using 231 kilolitres per annum). Only the bulk water price increase is the responsibility of the Queensland Government. On average across SEQ, the bulk water charge makes up about one quarter of residential water and wastewater bills. The remaining 75% consists of charges levied by the Council-owned Distributor-retailers.

The Government has taken responsibility for water security in SEQ and has delivered the \$6.9 billion SEQ Water Grid to effectively drought-proof SEQ. Infrastructure Australia has recognised the SEQ Water Grid as providing the nation's greatest buffer between demand and sustainable supply, which is a key indicator of water supply security. Water security for SEQ's growing population does come at a cost. Bulk water price rises are unavoidable and the Government has acted to ensure these price rises are kept to a minimum by:

- establishing a bulk water price path to gradually increase bulk water prices over a 10 year period
- committing to not take a commercial return on its investment in drought-proofing infrastructure, forgoing \$1.7 billion in revenues over the duration of the price path and accepting a \$407 million financial loss for water supplied to the Council-owned water businesses this financial year
- increasing the pensioner rebate to \$100 per annum.

Further, the Government has directed the Queensland Competition Authority to independently monitor retail prices set by Council-owned water and sewerage businesses to ensure these businesses can justify the retail prices they set against the costs they incur in delivering water and sewerage services.

If you have any specific concerns regarding the increase in your water and sewerage charges, you may wish to contact Unitywater directly on telephone 5431 8333.

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

Yours sincerely

STEPHEN ROBERTSON MP



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Mr Richard J Koerner
31 Fauna Terrace
Coolum Beach Q 4573

23 August 2010

Dear Mr Koerner

I refer to your email of 10 August to Mr West of this office.

Unitywater set prices for 2010/11 on the basis of not recovering greater than the Maximum Allowable Revenue (MAR) requirement under full cost pricing principles.

As you will be aware MAR consists of operating expenses (including the pass through of bulk water charges), a return of capital component (i.e. depreciation) and a return on capital component.

The latter two components of the MAR were calculated using the Regulatory Asset Base (RAB) determined by, and assigned to, Unitywater by the Queensland Government.

The Queensland Government has directed the Queensland Competition Authority to accept the RAB assigned to Unitywater for the purposes of evaluating the appropriateness of Unitywater's price setting during the Interim Price Monitoring period (including for 2010/11).

Consequently, Unitywater has adopted this assigned RAB in setting prices for its customers.

Yours sincerely

Jon Black
Chief Executive Officer

CC: Peter Scott, CFO