



**Hon Stephen Robertson MP**  
Member for Stretton



**Queensland  
Government**

**Minister for Energy and  
Water Utilities**

Ref: CTS 13634/11  
ME/11/0497

- 1 SEP 2011

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

Dear Mr Laurie

I refer to your letter of 12 August 2011 enclosing a copy of Petition No. 1674-11 lodged in the Queensland Legislative Assembly.

The Petition draws to the attention of the House a request to provide the Redland, Cleveland and Capalaba State Electorates with a 10 year community water reform strategy that:

- (1) Combines the four remaining bulk water businesses and their bureaucracies into one;
- (2) Allows the State Government debt on functioning water assets to be paid; and
- (3) Disbands water retailer/distribution companies and returns the functions to Councils.

The petitioners request a timely response that provides a timeframe for the elements of this requested strategy to be implemented.

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

The Government took on this responsibility when the South East Queensland (SEQ) councils were unable to respond effectively to the Millennium Drought. The Government also took over the councils' bulk water assets, 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 SEQ, ensuring that residents are no longer reliant on a single source of supply such as a local dam and 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, if residential consumption stays below the voluntary 200 litre per person per day target over the long-term.

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The bulk water price contributes to the cost of the SEQ Water Grid. The State does not make a profit from the SEQ Water Grid which provides long term water security to households and businesses in SEQ. The State will not even reach a break-even point until around 2017-18. This represents a 'virtual' subsidy of approximately \$427.43 per water connection in SEQ. This loss reflects that the SEQ Water Grid Manager pays the full cost for water supply services, but sells the water produced below cost to the council-owned distributor-retailers.

The proposal to combine the four remaining bulk water businesses and their bureaucracies into one appears to suggest that one very large bureaucracy is better than specialist function-specific small entities.

Post-drought, we need to know that the SEQ Water Grid is operating as prudently and efficiently as possible. That is why the Government has requested the Queensland Competition Authority to investigate and recommend Grid Service Charges to apply to the Grid Service Providers – Seqwater and Linkwater in 2011-12. The Government is committed to being transparent and accountable regarding the costs of operating the SEQ Water Grid.

Purified recycled water is being used in SEQ by Tarong and Swanbank power stations. Approximately 41 billion litres has been supplied to the power stations. This is a direct saving of drinking water that would have previously been used by the power stations.

The Gold Coast desalination facility has already supplied over 38 billion litres of drinking water to the SEQ Water Grid which equates to around 180,000 residential homes using the SEQ average of 200 kilolitres per annum. It is being used when it is needed. The SEQ Water Grid provides that level of flexibility to ensure water is available and can be directed where needed.

Any suggestion of writing off under-performing assets is short sighted as the availability of manufactured water underpins long term water security by allowing storages to be better utilised during wet periods and augmenting water supply during dry periods. Loss of these facilities would have a significant impact on the yield.

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. As noted above, the SEQ councils received a total of \$1.9 billion in compensation for the acquisition of their bulk water services.

On 7 April 2011, the Premier announced measures to force councils to accept their responsibility for water pricing in direct response to the SEQ community call for the Government to take action against the high water and wastewater prices being charged by the council-owned distributor-retailers.

SEQ councils were also given a once-only opportunity to withdraw from their distributor-retailer and re-establish a directly controlled council owned and operated water business within council. It is expected that a council taking back its water businesses has decided it can deliver to its community high quality water and wastewater services at affordable prices.

The participating Councils of the Northern SEQ distributor-retailer, Unitywater and the Central SEQ distributor-retailer, Urban Utilities, have decided they wish to continue their water businesses under the distributor-retailer model. The participating councils of the Southern SEQ distributor-retailer, Allconnex Water are Gold Coast City Council (GCCC), Redland City Council (RCC) and Logan City Council (LCC). GCCC has decided to withdraw from Allconnex Water. On the basis of GCCC's decision, RCC and LCC have made commercial decisions to also withdraw from Allconnex Water.

The Government will progress legislation to implement these Council decisions. The Government has set a final date of 1 July 2012 for these Council specific water businesses to be operational.

The Government would expect withdrawing councils to publish a price mitigation plan to manage future price increases after the CPI cap period. Councils must also implement at least a five year quantifiable price path.

In summary, the Government has provided accountability and transparency in costs across the water supply chain from the water source to the customer.

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 0351.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Robertson', with a long horizontal flourish extending to the right.

**STEPHEN ROBERTSON MP**