

QUESTION ON NOTICE

No. 141

asked on 6 March 2014

MS D'ATH ASKED THE MINISTER FOR ENERGY AND WATER SUPPLY (MR MCARDLE)—

QUESTION:

With reference to water prices paid by residents in the Moreton Bay Regional Council (MBRC) area—

- 1) What subsidies were provided to residents in the MBRC area by the Queensland Government in 2012-13 and 2013-14 (listed separately)?
- 2) What was the increase in the State Government's bulk water charge for MBRC in 2012-13 and 2013-14 (listed separately)?
- 3) What is the projected increase in the State Government's bulk water charge for MBRC for 2014-15?

ANSWER:

The recent South East Queensland (SEQ) experience provides an enduring example of how past water planning, policy and investment decisions were constrained by political interests – with consequent long-term risks to supply and affordability. For example, while Queensland was well-served by water supply infrastructure built by previous generations, not much more than five years ago residents living in the Redcliffe area had to endure increasingly harsh water restrictions when the southeast almost became one of the first major metropolitan regions in the western world to run out of water. And, perhaps the former governments' most painful and enduring legacy for Redcliffe households and businesses are the increasingly high bulk water prices that it deliberately passed onto future residents through the Beattie and Bligh Governments' 10-year SEQ Bulk Water Price Paths.

Through long-standing national pricing principles, water prices should reflect the cost of supply. In this regard, the Seqwater 2012-13 Annual Report showed the company owes \$10.3 billion with about half its operating expenses going toward interest costs to service debt. However, because the Newman Government is committed to putting downward pressure on SEQ water prices, Seqwater is selling bulk water at a loss (funded by debt) to Unitywater.

The Government has also taken action to put downward pressure on the cost of supplying bulk water by amalgamating the SEQ bulk water entities into one single bulk water entity (Seqwater) and abolishing the Queensland Water Commission - saving about \$80 million / year. This has helped reduce the proposed bulk water price increase to about \$49 this year for an average household using 200 kilolitres. Without this action, bulk water prices would have increased significantly more under the former governments' price path. And, consistent with its election commitment, the Newman Government last year delivered a one-off \$80 water rebate for SEQ households and the Government still maintains a pensioner subsidy on water and sewerage bills of up to \$120 / year.

Unfortunately, despite the Newman Government's ongoing efforts to reduce bulk water costs, the previous government's decision to waste \$715 million on the non-existent Traveston Dam, as well as to debt-fund other un-necessary bulk water infrastructure means SEQ residents and businesses now pay significantly more for water. Indeed, while most Redcliffe households have not seen one drop of water from the \$1.2 billion Tugun Desalination Plant and the \$2.6 billion Western Corridor Recycling Scheme they still need to help pay \$156.7 million/year in finance and borrowing costs because of the former government's project financing contracts. For example, the Auditor-General (2013:27) found *"The payment of these interest charges, and the repayment of debt, is 'locked in', regardless of the level of production, including the scenario of decommissioning the assets."*

With specific regard to various Moreton Bay Regional Council (MBRC) water subsidies and Seqwater bulk water charges for Unitywater for 2013-14 and 2014-15, the statutory independent authority, the Queensland Competition Authority (QCA), last month released the *SEQ Price Monitoring for 2013-15 Part B – Unitywater* (Final Report), which is available at: <http://www.qca.org.au/getattachment/fcd40f28-0919-4916-bc1a-ea7c7736b647/SEQ-Price-Monitoring-Final-Report-Part-B-Unitywater.aspx>

In context, the QCA report highlighted above also provides a pie chart for Unitywater total costs for 2013-15, which show 73 per cent of Unitywater total costs are attributed to its operating costs and returns to Unitywater council-owners. Notably, Seqwater bulk water charges account for about 27 per cent of Unitywater total costs during this period.

With specific regard to the Seqwater Bulk Water Price Path, this and other important information about SEQ bulk water prices is available on the Department of Energy and Water Supply website at: <http://www.dews.qld.gov.au/policies-initiatives/water-sector-reform/water-pricing/bulk-water-prices>