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Calliope Shire Rate &
Taxpayers Association
41 Sutton St
Gladstone 4680
7/2/2005

Mr E Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Dear Mr Hall,

Re: Gladstone Area Water Board: Investigation of pricing procedures – Draft Report.

Proposed increase of charges at Mt Larcom

Since water is one of the essential components of life it is imperative that the resource should be available, of suitable quality and affordable. Our Organisation believes that the imposts projected to be imposed upon Mt Larcom arise not from any shortage, but from a flawed methodology and an unsighted system of cost calculation. It is our view that the infrastructure that has been in existence and serviced the Cement Australia mine and Mt Larcom township for some 25 years or so may have already generated substantial economic return in either a direct or indirect manner and that depreciation may not have been adequately factored into QCA's cost calculations.

In our view an independent merit's review and appeal process is necessary to allow citizens to challenge the validity of an undisclosed process that is clearly much more about politics and playing off of parties, one against the other, than about legitimately pricing water based upon sound and defensible rationale. For these reasons we reject the proposed price increases at Mt Larcom and suggest that the matter be reconsidered in a way that takes into account the original intentions of water reform i.e. to introduce and support competitive pricing so as to benefit the consumer. Not like at Mt Larcom, where your recommendations of \$8.68 per kilolitre in a monopoly situation have devalued our real estate values and future prospects by injuring and stigmatising our community on a state wide basis.

Historical Background

The water supply scheme at Mt Larcom was part of a community infrastructure package connected with the Queensland Cement and Lime's East End mine that began construction in November 1979. A 300 mm pipeline owned by GAWB links the Boat Creek Reservoir to a 5 ml reservoir sited close to the mine. The Agreement between QCL and the GAWB allowed for a maximum daily demand of 4.5 ml/d with Mt Larcom's allocation of 0.25ml/d reticulated from the East End reservoir to a wet well at Wilmott Lagoon from where it was pumped to the township. QCL used Awoonga Dam water to convey product via the slurry pipeline to the kiln at Fisherman's landing. The 300 mm supply pipeline and slurry pipeline share the same easement.

The mine's consumption of about 2.5ml/d allowed QCL to qualify as a bulk purchaser and client of the GAWB. QCL entered into an agreement to pay "an amount equal to the monthly costs to the Board of operation and maintenance of the Company's and Council pipelines" whereby Council pipelines is defined as "the pipeline, facilities and appurtenances owned by the Board which connects the 5 ML resource with the wet well at Wilmott Lagoon." The definition of the Companies pipeline includes the pipeline from the Boat Creek dam to the 5 ML reservoir.

The QCL IAS Project Expansion of 1996 included a trebling of mine production, and incorporation of railway facilities. Upon completion of the project, the redundant slurry pipeline was to be "mothballed." On 1 November 1995, the Office of the Co-ordinator General wrote to QCL (document obtained under FOI) quote "As a result of change from the current slurry pipeline to a dry/rail based transport system for limestone, there will be a substantial reduction in the demand for water at the mine. It is likely that this will reduce the volume consumed below the threshold for direct supply by the Gladstone Area Water Board. It is proposed that this issue will be resolved by an agreed variation to the threshold level."

On 19 December 1995, just prior to Council's consideration of approval on 21 December, QCL wrote to the Office of Major Projects the proponents of the 1996 IAS, quote "Although the usage of water by QCL will decrease considerably, it is QCL's intention to retain these sections of the Agreement unchanged, thereby maintaining its contribution towards the water supply for Mt Larcom."

This action re-committed QCL to the contractual arrangement to meet the maintenance and other costs as per the Agreement with the GAWB. QCL were obviously aware that such a commitment removed a potential impediment to their prospects of obtaining a timely Council approval. Since no timeframe was mentioned in the correspondence to Office of Major Projects it must be construed that the commitment was for the life of the QCL project.

Once the expansion project was completed and the railway began operations, QCL's water consumption was expected to fall to just 2 ml/month. When this figure and the current 0.3ml/d for Mt Larcom township are combined it can be seen that the delivery capacity vastly exceeds the very modest demand. In 2004, Calliope Shire Council in an endeavour to comply with the legal requirement that urban water must be treated converted the 300 mm supply pipeline to East End to treated water only. While this may have resolved the Council's dilemma it effectively locked up the pipeline and removed other use options.

It is obviously not fair or reasonable to off load costs upon the community if an industrial client's changes their pattern of use and rejects the historical obligation to meet maintenance and other costs of delivery. Or if Council grasps an opportunity in their own interest. Where in the decisions of these parties and the recommendations of the QCA can it be shown that the interests of the community are being served and the concept of social justice demonstrated?

Yours sincerely,

Mrs. Maxine Vanderwolf
VANDERWOLF. (chairman)