



23 January 2015

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

To whom it may concern

As the peak body representing Queensland councils, the Local Government Association of Queensland (LGAQ) appreciates the opportunity to provide comment on the Queensland Competition Authority's (QCA) draft report of the SEQ Bulk Water Price Path 2015-18.

Local governments recognise that water is a resource that should be shared equitably across each region through institutional arrangements that best facilitate efficient service delivery and resource use. The fair pricing of these resources is especially important to Queensland communities as they are essential. The LGAQ strongly supports the open and transparent review of pricing pathways.

Appropriate consultation and opportunities to comment on issues such as bulk water price paths are encouraged by the LGAQ, especially in matters where local government has a clear interest. Indeed, the Association would like to acknowledge the Queensland Competition Authority's provision of adequate time to enable stakeholders to comment on this report.

The LGAQ acknowledges the QCA's recommendations regarding the common price, which continues to have direct impacts on Queensland's communities. As noted in the report, the proposed common price will mean increases for those living in five councils, while reducing the prices for those living in six of them. Although Seqwater was unable to provide information about the cost of service in each council area, the LGAQ also acknowledges that the current pricing is the result of decisions made by the Queensland Water Commission in 2007 when there was dramatic change in the Southeast Queensland water industry. Consequently, the LGAQ supports a timely resolution to this lengthy process.

The LGAQ welcomes any effort to keep bulk water pricing fair and reasonable for all communities. Both the lower proposed price paths and the proposed one-time reduction in pricing for communities in South East Queensland councils above the price path is an important acknowledgement of the significant increase in the price of water over the last few years. Notwithstanding these proposed reductions, the LGAQ continues to seek full-disclosure of the costs and valuation of assets within Seqwater to ensure confidence in the assessment. Specifically, the impact on costs from the reduced use of drought assets has not been fully articulated in the report.

While the draft report explicitly notes that the QCA is bound to accept both the population forecasts and the valuation of the Regulatory Asset Base, the LGAQ believes the QCA should be permitted to comment on the methodology used to determine these figures. For example, as noted in the report on page 12, the medium population forecast used by Seqwater for the current consideration of price paths is higher than low population forecast used previously. Where such an obvious discrepancy is proposed without justification for the change, the QCA should be able to require such justification or maintain previously used methodologies.



Further, the requirement of the QCA to accept the valuation of the Regulatory Asset Base is also a concern for the same reasons. Given that the drought assets represent a very large proportion of the total assets of Seqwater, accurately assessing their value would have a significant impact on the cost recovery that is a factor in determining pricing. Comment on the values is difficult because the methodology for determining the valuation was not included in the report – and inclusion of the methodology, even in abbreviated form, would be useful. As mentioned previously, the LGAQ questions the remaining life or valuations presented in the report for drought assets if they are not being operated at full capacity. The LGAQ supports greater powers for the QCA to question these valuations and the methodology to calculate them to ensure accurate and fair pricing recommendations.

The LGAQ commends the Queensland Competition Authority on the thorough assessment of pricing described in this report.

Should further information on any aspect of the Association's response be required, please don't hesitate to contact Ms Simone Talbot, Manager Advocate on 3000 2246 or simone_talbot@lgaq.asn.au.

Kind regards

A handwritten signature in black ink, appearing to read 'Greg Hoffman', is written over a light blue horizontal line.

Greg Hoffman PSM
GENERAL MANAGER – ADVOCACY