

Final Report: Retail water prices – Logan Water

The Queensland Competition Authority monitors the prices, costs and revenues of five water retailers in south east Queensland, including Logan Water.

The Queensland Competition Authority (QCA) monitors retailers to ensure that these businesses are not using their monopoly power to set prices higher than is necessary.

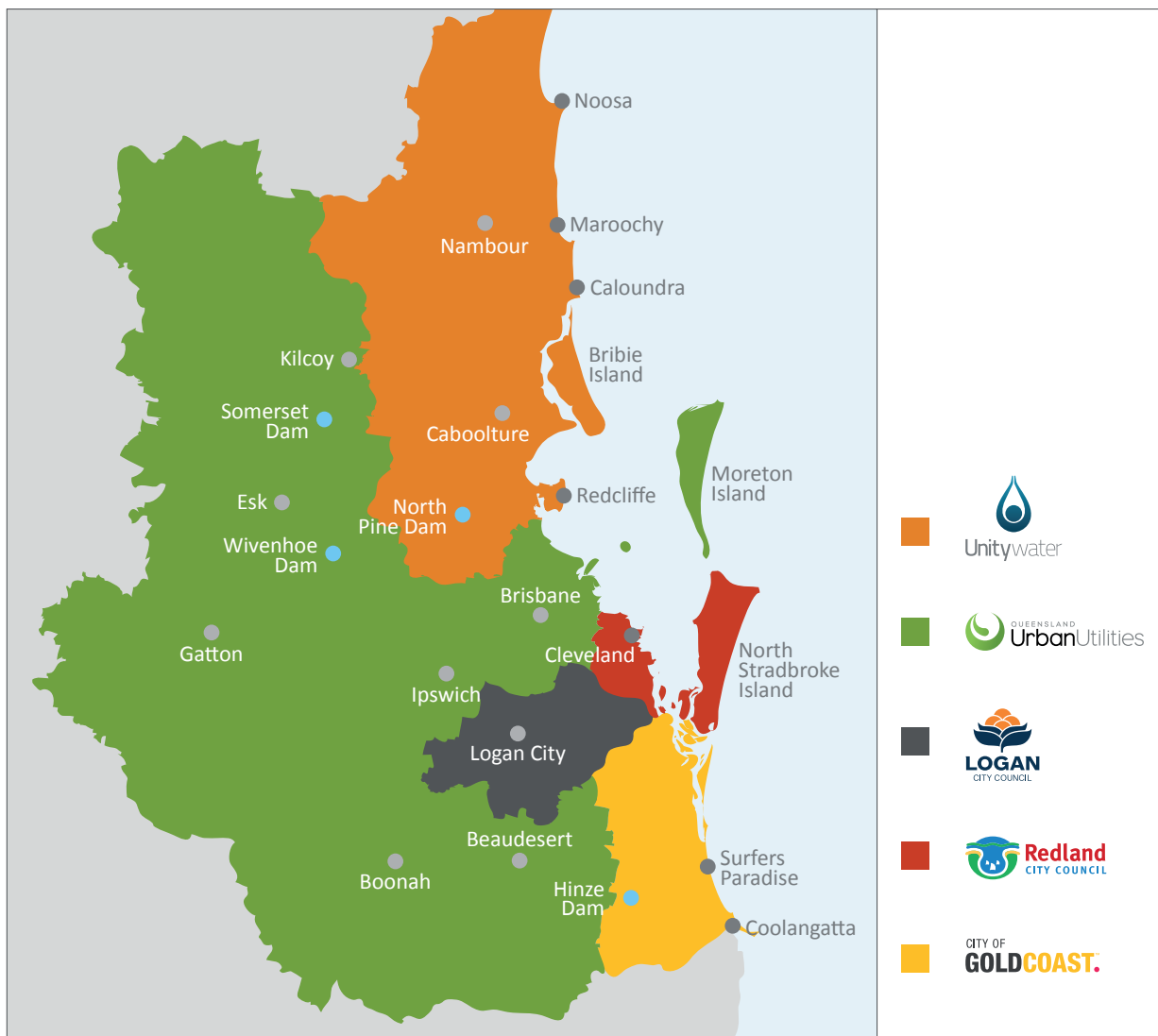
The QCA has released its final 2013–15 price monitoring report for the five water retailers – Unitywater, Queensland Urban Utilities, Logan Water, Redland Water and Gold Coast Water.

Our overview fact sheet explains the general findings of our review. This fact sheet outlines the findings for Logan Water. There were no changes to the findings for Logan Water as a result of comments received on the QCA's Draft Report.

We found no evidence of Logan Water exercising its monopoly power for 2013–15.

Logan Water provides distribution and retail water and sewerage services to the Logan City local government area. These services include distributing treated water to homes and businesses, treating and disposing of sewage and other wastewater, and issuing bills.

Five water retailers



Retail water prices – Logan Water

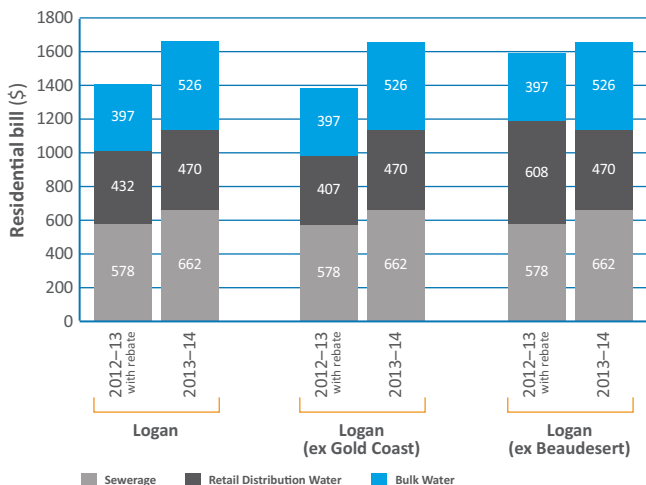
Residential Bills

The QCA found that residential bills for 2013–14 for a household using 200 kilolitres of water a year will increase by 17.8% in the former Logan City Council area, 20% in the former Gold Coast City area and 4.7% in the former Beaudesert Shire area. Only some of the change is attributable to Logan Water: 8.6% in the former Logan City Council area, 10.6% in the former Gold Coast City area and a fall of 3.5% in the former Beaudesert Shire area. The remainder is due to bulk water charges and the expiry of the bulk water rebate.

These increases are higher than the figures published by Logan Water in May 2013: the May figures did not include the expiry of the bulk water rebate.

To help customers understand changing prices, water retailers should explain the reasons for the change in each part of the bill as well as the overall change.

Logan Water’s residential bill increases in 2013–14



Costs

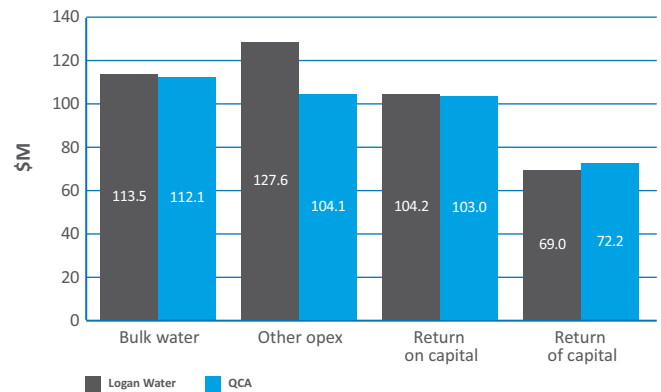
Part of our role is to establish whether Logan Water’s costs are both required (prudent) and as low as possible (efficient). Our estimates of prudent and efficient costs determine the maximum allowable revenue (MAR).

The MAR is a key test for monopoly pricing. If a business’ revenue significantly exceeds the MAR for a sustained period, the business may be using its monopoly power to obtain unjustified returns.

Costs – findings

The QCA found that Logan Water’s costs of supplying water and sewerage activities could be 5.6% (\$23m) lower for 2013–15. For example, the QCA has lower tax estimates.

Logan Water’s 2013–15 costs (Logan Water and QCA calculations)

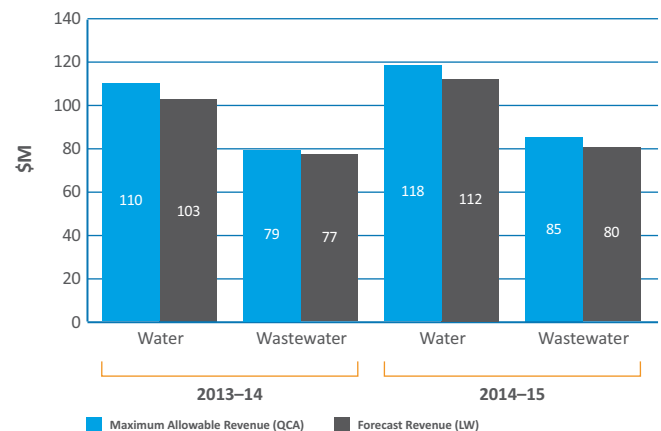


Revenues – findings

Logan Water’s revenues are below prudent and efficient costs. Logan Water’s revenues are 5.0% below the QCA MAR in 2013–14 and 5.0% below in 2014–15. Logan Water is not recovering more revenue than required to sustain its business.

We therefore found no evidence of Logan Water exercising its monopoly power in 2013–15.

Logan Water’s revenue (Logan Water and QCA calculations)



More information

For more information on water and sewerage prices in your region visit our website: www.qca.org.au/water