

**MEDIA RELEASE**

**Monitoring of south east Queensland water retailers for 2013–15**

**05 February 2014**

The Queensland Competition Authority (QCA) today released its draft 2013–15 price monitoring report for Unitywater, Queensland Urban Utilities, Logan Water, Redland Water and Gold Coast Water.

“The QCA monitors water retailers to ensure that these monopoly businesses are not using their market power to set unjustifiably high prices. Price monitoring provides an independent assessment of whether retailers are managing their costs efficiently and recovering no more than the revenue required to sustain their businesses,” said QCA Chairman Malcolm Roberts.

“There have been significant increases in water bills for many residents in south east Queensland in 2013–14. Higher bulk water costs have been important but other factors, such as new pricing practices and changes to government rebates, have also had an impact.

“The QCA believes it is important that customers understand how all these factors affect their final bill. Retailers should explain the changes in each component of the bill as well as the overall change,” said Malcolm Roberts.

“The QCA has identified potential savings in the capital and operating 2013–15 budgets of the retailers. About \$52 million (3.5% of capital spending) should not be included in capital expenditure as some projects are not due to be completed till after 2013–15. Operating costs could also be reduced mainly from lower than forecast demand. Overall, the QCA estimates the costs of supplying water and sewerage services could be as much as \$136 million lower across the five retailers.

“Nevertheless, for four of the five businesses, their revenue is less than what the QCA calculates to be the cost of delivering their services. The four retailers – Unitywater, Queensland Urban Utilities, Logan Water, and Gold Coast Water – are not recovering all their prudent and efficient costs.

“This finding reassures customers that these retailers are not using their market power to recover more revenue than required to sustain their businesses,” Malcolm Roberts said.

“In the case of Redland Water, the QCA has a more qualified finding. In 2013–15, revenues for Redland Water are 9.3% above the QCA’s estimates of prudent and efficient costs. The QCA recognises that this over-recovery is deliberate as Redland Water intends to apply regular annual increases in charges over the next ten years. Redland Water claims that this price smoothing will see charges initially over-recover costs (until 2016–17) but then subsequent prices will significantly fall short of costs.

“The QCA supports price smoothing as a way to avoid sharp fluctuations in prices. However, the QCA has concerns about aspects of the Redland Water model and its approach to pricing. Redland Water has advised it will take the QCA’s concerns into account in setting 2014–15 prices,” said Malcolm Roberts.

Submissions are sought on our draft report by Friday 28 February 2014. For more information about your water retailer’s performance, visit [www.qca.org.au](http://www.qca.org.au)

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