

Contact Officer: Mr Larney
Our Ref: WS8.2; SCW
Your Ref: Matthew Rintoul

5 February 2010

Mr E Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Hall

RE: GLADSTONE AREA WATER BOARD - INVESTIGATION OF PRICING PRACTICES

I refer to your letter of the 18 December 2009. Council would like to make the following points in relation to your investigation of GAWB pricing practices.

Golegumma Treated Water Pipeline (4.3.3.1)

While this pipeline is approaching the end of its useful life, residential development and the consequential construction of Council infrastructure has significantly reduced the future need for this infrastructure. In reality this infrastructure will only be required to supply water to Awoonga Dam and fourteen customers in the Pikes Crossing area who were originally provided with water in lieu of compensation for GAWB easements running through their properties.

Council has always argued that these property owners are GAWB customers, however GAWB has been reluctant to claim them. To overcome this issue an exchange of letters occurred to lease GAWB infrastructure to Council to allow Council to service these customers and to raise water charges (refer to attached letters). This was never considered by Council to be a permanent solution due to the fact that Council does not own any infrastructure in this area.

Council would strongly object to the capital expenditure of \$5.4 million for this project. The report states that *"Delivery prices in the South Gladstone to Toolooa and Benaraby potable zones will be impacted by this expenditure project."* Council customers in this area will gain nothing from this infrastructure. Further funds are budgeted for the Golegumma treated water pipeline in the forward years (2016-2030).

If this infrastructure is required than it is only required to service customers who were connected in lieu of easement compensation and therefore the whole customer base, both treated and raw, should bear the cost of servicing these properties.

GWTP Emergency Power Supply (4.3.5.2)

Council would question the need to outlay \$2.1 million for an emergency power supply when Council maintains significant downstream storages. Council would be able to supply a number of days of water after a major cyclone which could obviate the need for this infrastructure. At this stage it is difficult to identify this project as a priority.

Operating Expenditure

Council is not in a position to comment in any detail on future operating expenses as it does not have access to the details of these expenses to make an informed comment. Clearly the Water Board has to have sufficient funds to operate effectively and efficiently over both the short and long term. However, the increases are substantially above CPI and the QCA must be confident that these increases in expenditure are realistic and reflect an effective and efficient organisation.

That being said Council would ask that the QCA investigate the Self Insurance Operating Expenses which is budgeted to commence in 2010/11. There does not appear to be any reduction in Insurance expenses and would therefore question what this expense is expected to achieve.

Thank you for the opportunity to comment and if you have any questions, please do not hesitate in contacting Mr Mark Larney, Council's Director - Corporate Services or myself.

Yours faithfully

GRAEME KANOFSKI
CHIEF EXECUTIVE OFFICER