



19 December 2025

Professor Flavio Menezes
Chair
Queensland Competition Authority
Level 27/145 Ann Street
Brisbane. QLD 4000

Via email: Flavio.Menezes@qca.org.au

Dear Professor Menezes

Re: Price Monitoring Investigation into Unitywater and Queensland Urban Utilities

The Queensland Water Directorate (**qldwater**) is Queensland's central advisory and advocacy body for urban water (drinking water, sanitation, wastewater, networks), working with our members to provide safe, secure and sustainable water services to Queensland communities. **qldwater** delivers key programs and services to the sector. We work actively with State and Federal Governments in the delivery of policy, regulation and programs that support Queensland's Water Service Providers (WSPs).

We represent all 72 Queensland WSPs with domestic connections: the two Torres Strait Island Councils, the 15 Aboriginal Councils, all 52 non-Indigenous Councils, the council owned Statutory Authorities in south-east Queensland (Urban Utilities and Unitywater) and Gladstone Area Water Board.

There are 370 water supply schemes and 265 sewage schemes across Queensland. Our members currently service 1,982,442 sewerage and 2,145,835 drinking water connections. These numbers are set to substantially increase with current and projected population growth and will require expansion and optimisation of existing wastewater treatment infrastructure and the construction of new infrastructure.

The Directorate supports pricing transparency for the education and wellbeing of customers and as a tool for appropriate investment and innovation across the sector. The ongoing financial sustainability of the businesses should be the focus of the QCA's review as this will be in the long-term interest of customers.

We provide this letter without prejudice to any correspondence from our members or other urban water service providers.

Referral Notice

The Directorate notes the Referral Notice to undertake a Price Monitoring Investigation in relation to Unitywater and Queensland Urban Utilities, and accompanying letter from Jarrod Bleijie MP, Acting Minister for Finance, Trade, Employment and Training dated 24 September 2025.

The sector requires a transparent and stable process for price and regulatory oversight. The Directorate is concerned by the abnormal 2-stage process outlined in the Referral Notice and the lack of clarity around Stage 1. There is also no provision in Stage 1 for public consultation. Public consultation is vital for better decision-making, building trust, and ensuring prices are fair by gathering diverse community input, identifying potential issues early, and promoting transparency and accountability.

The Referral Notice seeks to determine *capital expenditure and RAB back to 2013 for prudence and efficiency*. **qldwater** does not support the review of previous expenditure in the absence of regulatory oversight. We request the QCA's consideration of a *line in the sand* commencing this financial year.

We are further concerned by the focus in the cover letter stating that the *Authority's findings should prioritise achieving reductions in distributor retailers' prices* noting the repeated references to *cost of living*.

Retail water pricing in Southeast Queensland (SEQ) has not exceeded CPI and complaints concerning bills and billing to the Energy and Water Ombudsman were low (195 in total for January-September 2025 with well under half being referred to the urban water providers for investigation).

In fact, retail water prices have increased only marginally, raising serious concerns about utilities' capacity to fund essential infrastructure renewal. This comes at a time when the sector is facing an escalating infrastructure renewal cliff, the compounding costs of deferred investment, rising workforce, electricity and insurance expenses, growing cybersecurity obligations, higher construction and materials costs, and the increasing burden of regulatory compliance.

We therefore request that the Authority undertake this Price Monitoring Investigation with due consideration that water retailers' prices may need to increase if we are to manage the impending risks to the sector, increasing cost pressures, and our obligations to continue to supply safe drinking water and urban water services to customers.

Research and case study analysis undertaken by **qldwater** demonstrate that an overriding focus on minimising customer bills in the short term ultimately undermines the financial health of water businesses. Generating an operating surplus is essential to long-term sustainability, providing the capacity to address emerging risks early and maintain a buffer to manage both expected and unforeseen costs.

We note that commercial water businesses are subject to active pricing oversight by the QCA, (*Queensland Competition Authority Act 1997*, Part 3 and Subdivision 7). We note that the current investigations may lead to other water businesses being price monitored. While we realise this requires a ministerial direction, the findings from this QCA analysis will undoubtedly influence asset

considerations, asset maintenance and future cost recovery (both good and bad) by other businesses.

Specific Matters Impacting the Cost of Building, Operating and Managing Urban Water in Queensland

There are uncoordinated and competing water demands (population growth, Green Hydrogen, critical minerals, sustainable liquid fuels, the 2032 Games) overlaid with climate change. Despite having the best Water Plans and water planning framework in Australia, Queensland has no Water Development Planning leading to poor water security and water reliability outcomes for many water catchments, including those in SEQ.

Urban water providers are facing a growing and increasingly complex regulatory burden, driving both infrastructure and operational cost increases. This is particularly evident in the expanding regulation of known and emerging contaminants, where water service providers are bearing increasing liability despite being passive receivers with no control over sources entering the country. The current regulatory emphasis on managing contaminants at the end of pipe, rather than at source, is inherently inefficient and significantly more costly.

Wastewater treatment plants provide a critical public service. Existing wastewater treatment plants are unable to control much of the emerging and persistent contaminants (such as PFAS and microplastics) that enter the infrastructure and which are not destroyed by standard technologies and processes. The costs associated with advanced treatment processes to manage these contaminants to regulated levels (current and future) are extraordinarily high.

The contamination of biosolids products with these emerging contaminants is also jeopardising their beneficial reuse. If biosolids cannot be beneficially reused, they will need to be disposed of, and the costs of that disposal and any tax liability will need to be met by customers.

Catchment quality across SEQ has been deteriorating, and since 2021 a general trend of decline in catchment and Bay zone condition has been observed. According to the latest Healthy Land and Water Report Card for SEQ (2025)¹,

"... high catchment pollutant loads in recent years, as a result of high rainfall and flood events, has placed increasing pressures on waterways. The overall water quality of many estuaries in the region has also declined in 2025 as a result of increased nutrients (total nitrogen and total phosphorus) and algal growth (chlorophyll a). Unusually high phosphorus levels were observed in many estuaries and bay zones in 2025."

This driving both complex and costly treatment systems (both in capital and operating costs) as specified by regulators and also increasing costs to safely manage these contaminant risks to drinking water services.

¹ <https://reportcard.hlw.org.au/>

Climate and Related Factors

Disasters, particularly floods, are causing significant damage to urban water infrastructure resulting in public health issues including impacts to the drinking water supply; and contaminated wastewater impacting the community.

Managing adverse amenity impacts on water infrastructure is becoming increasingly important as new urban residential growth is being explored by Councils and developers in areas that traditionally excluded sensitive uses e.g. industrial locations as well as on land that is inherently vulnerable (such as some of the new declared Priority Development Areas (PDAs)).

The larger utilities (Urban Utilities and Unitywater) do not have a referral agency role to consider adverse amenity impacts and currently rely on Councils to address amenity impacts in the development assessment process. Site based change via the development process can be challenging and this means that utility companies may need to be an adverse submitter. This is inherently reactive and has resourcing and cost impacts for the organisations.

Deep regulatory amendments are required to address many of the pricing inefficiencies and lack of cost recovery mechanisms imposed onto water service providers.

Developer Charges are Inadequate

The Queensland Government's *ShapingSEQ 2032 Regional Plan* provides a framework for building nearly 900,000 new homes in SEQ by 2046 to accommodate an expected 2.2 million new residents.

Most of these homes will be built within the service areas of Urban Utilities and Unitywater with many of the new housing developments within newly created PDAs. Current planning decisions are not adequately considering the criticality of the urban water sector in progressing residential developments.

For example, adverse impacts of residential encroachment upon urban water facilities are not considered in planning or public health Acts. Conflicts between the uses occurs where there are insufficient environmental buffers to protect against nuisance and issues such as chemical hazards. This lack of planning is, and will continue to, add costs to the urban water sector for mitigation works.

The Maximum Adopted Infrastructure Charge for new homes in Queensland, (as part of the plan to deliver 900,000 new homes in the SEQ region), is generally \$28,000 for a dwelling with three or more bedrooms. These charges are designated to pay for trunk infrastructure but are restricted to a cap set by the State Government, and local governments cannot charge more than this maximum amount, despite the shortfall against the actual cost to WSPs to provide this infrastructure.

The Maximum Adopted Charge (MAC) contradicts the National Water Initiative (NWI) principles of full cost recovery for urban water services by capping investment by developers into trunk infrastructure. These costs are shifted onto current and future water users/bill-payers and the developer removes profit from the system which, if the NWI principles were to be followed, would

have been invested in the trunk infrastructure capacity of the water services collection, distribution, and treatment assets.

In SEQ, existing water customers are subsidising new development at around \$200 per connection per year. This is unacceptable.

Since its inception, the MAC has not increased in line with inflation and thus a widening gap between funding and the costs of investment has evolved for Councils and Utilities. This is an example of State Government policy priorities inhibiting cost recovery for water and sewerage infrastructure. Local Government Association of Queensland (2023) research indicated that a 22% increase is required to the capped infrastructure charge immediately to catch up the charges and cover the current costs being borne by ratepayers. The MAC must then be increased annually at a minimum of CPI.

When PDAs are declared by the State Government, the State collects the infrastructure charges and does not allow funding of existing trunk infrastructure within the precinct. This means that water service providers do not recover budgeted charges for already-installed lead trunk infrastructure and further reduces cost recovery. The legislation governing PDAs is in direct conflict with the NWI principles.

With regards to Trunk Infrastructure Charges, there is no head of power for Urban Utilities or Unitywater to obtain infrastructure charges in a PDA and there is no agreement in place to share the infrastructure charges received when utilities deliver new sub-regional infrastructure that supports a PDA. This creates uncertainty and impacts revenue. A more equitable arrangement with respect to PDA infrastructure charges distribution is needed to deliver essential water infrastructure, support more affordable housing and deliver value for (current and future) customers.

Asset and Service Sustainability

While numerous reports and reviews have identified the ageing of Queensland's urban water infrastructure and a lack of maintenance and renewal, the short-term focus on keeping water prices and rates low has taken priority. As a result, water businesses have produced little to no operating surplus with which the businesses could have built a financial buffer.

The problem has been exacerbated by *payments to owners* and an increasing water demand (we note that SEQ hit a trigger 3 water security event in August 2025) all within a fixed tariff structure. This has meant that those customers who were consuming high volumes of water were being subsidized by those who were more frugal with their water use.

As well as ageing infrastructure, Queensland's networks also contain a significant proportion (the highest in Australia) of Asbestos Cement (AC) pipe mains which had been constructed in a relatively short period of time in the late 1950s-early 1960s. These assets are showing an exponential increase in failure and require imminent replacement. In SEQ, this presents additional complexity and cost given the development density and challenges accessing these underground assets for replacement.

The combination of age and excessive demands put pressure on the water network and the AC mains and a lack of financial reserves means that the cost of renewal will grow beyond the capacity of the water businesses to fund. This may lead to a need to suddenly and significantly increase charges in order to recover the costs associated with a rapidly growing backlog of maintenance and renewal.

Pending Investigations and Relevant Resources

We bring to the QCA's attention additional sources of information to understand the material and significant challenges facing Urban Utilities and Unitywater, and the sector.

In 2023-2024, the Queensland Department of Local Government, Water and Volunteers), undertook an Urban Water Risk Assessment which was a multi-million-dollar review. This assessment considered at all WSPs outside SEQ but provides insight on the current risks and sector wide challenges. It remains unpublished.

Queensland Treasury Corporation (QTC) have undertaken the Funding and Affordability Project, initiated by the Department of Local Government, Water and Volunteers. This report has been finalised by QTC and has been sent to the Department of Local Government, Water and Volunteers.

There are further investigations to support increased urban water sector funding to manage ageing assets. For example, the current Infrastructure Cliff Research Project by the Local Government Association of Queensland that will update **qldwater's** work on the infrastructure cliff (2018, 2019)².

qldwater also has reports which may be of interest such as the *Defining Financial Sustainability in Water and Sewerage Services Business* (2020), which also looked at the Payment to Owners component relevant to commercialized water services businesses where consideration of a dividend and payment of a tax equivalent is a requirement of the State's Code of Competitive Conduct. The report notes that in a fully commercialized business the payment to owner can represent a quarter of the overall cost structure (see Figure 1.1 in the report). **qldwater** questions the sustainability of these payments at current levels given asset life, increasing operating and finance costs, and increasing depreciation of assets.

The Directorate would welcome the opportunity to meet with you and answer any questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read "g Davis".

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Chief Executive Officer

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² https://qldwater.com.au/qwrap_research



PLEASE SIGN, DATE AND RETURN this letter including this signature page to confirm your acceptance of these terms by 19 December 2025

Richard Corbett
Water Services Lead Rockhampton