



MEDIA RELEASE FROM CR DONNA GATES GOLD COAST CITY COUNCIL DIVISION 1

BACKGROUND

On Thursday 7 April, the Premier Anna Bligh repealed the sections of the SEQ Water (Distribution and Retail Restructuring Act 2009) which required the establishment of distribution and retail centres such as Allconnex. Councils had until 1 July to determine the way forward. Similar to former decisions, this announcement came without any consultation whatsoever with the Councils or Allconnex and did not address the cost of dismantling the mess the Government itself created. There has been no mention of the price the Government sets for bulk water, which has been the major cause of recent price increases.

COUNCIL'S DECISION TO LEAVE ALLCONNEX

On Monday 25 July 2011, Gold Coast City Council voted to withdraw from the Allconnex Water Distribution and Retail authority. The vote was close - 8-7 in favour of disengaging from Allconnex and re-establishing a version of Gold Coast Water. I did not support this outcome and offer a personal explanation of my views below.

Despite an extensive Report to Council, it could not accurately predict the hidden costs. All costs provided within the report were purely "estimates" - but we do not know the ultimate cost and on that basis I could not support the suggested "divorce".

Personally, I do not believe that it will be possible for Council to reduce water prices without control of the bulk water supply. The State Government took control of the bulk water and assets - and in my personal opinion, will not ever relinquish that control. So as a Council we have no ability to influence a reduced cost of bulk water. In addition, the Council Report considered on Monday advised an estimate between \$48m and \$67m to disengage from Allconnex - with an additional estimate of between \$5m and \$10m in costs which will be directly payable to Logan and Redlands in compensation. That's approximately \$70 million dollars of wasted ratepayer funds in my opinion because I'm yet to be convinced that it's possible to lower prices unless the State reduces the price that they charge for the bulk water. In my mind there is no doubt that Logan and Redland will pursue costs from Gold Coast City to the full extent possible. This will be a financial burden on our city's ratepayers that I am absolutely opposed to, and as I said earlier, given, in my mind, the uncertainty of reduced water prices.

We were advised on Monday that there was a revenue stream for the "disconnection from Allconnex" and that it could be funded by loan borrowings. The \$60m loan would require approx \$8.9m in annual repayments over a 10 year period. I asked the question: "If those funds had to be raised through the General Rate - what would be the percentage increase to all ratepayers?". Answer \$3m = a 1% rates rise across the city. Therefore, multiply the \$3m by 3 to get to the approximately \$9m necessary in repayments annually - and that equates to an approximate rates rise of 3% - before we consider cost of living increases and so on. An impost I do not believe appropriate. Of course, there may be an opportunity to find the funds elsewhere - other than from the General Rate, but then I guess we're looking at reduced services or reduced expenditure on capital works, either of which will have an impact on the way we go about our lives in this city.

In March 2007 the State Government legislated taking control of the water assets and bulk supply in South East Queensland. The then Council under instruction to accept voted on a new South East Queensland water authority - before I was your representative. However, when the discussion on establishing the retail and distribution model occurred in 2009, I voted against its establishment. Most of those who supported unravelling Allconnex on Monday actually supported the model when proposed. I still wish we were not in the position imposed by the State Government but we are - and so far down the track, getting closer to the point where we could start to impact on the Board of Directors and ultimate cost savings I am personally disappointed. The Government also provided a safety net for staff from Logan Redland and Gold Coast City whereby no forced redundancies could occur for three years. The advice within our Report on Monday indicated the likelihood of that protection now being extended - not only for the existing staff of Redland, Logan and Gold Coast City - but also for another three years for ALL staff members, including those who have been employed since Allconnex began.

It's a regrettable position - but one that I feel I voted on in the best interests of the community I represent.

If Council regains control of the water business - I'm sure we'll quickly consider implementing some of the previous initiatives that benefit our community. My concern is the costs associated with dismantling, building new infrastructure and compensation - but I hope I'm proven wrong and the necessary savings can be found to deliver a better service.

Date: 28 July 2011