

## **Coolum Beach Progress & Ratepayers Association Inc.**

2nd June 2004

NCP Inquiry Productivity  
Commission P.O.Box 80  
Belconnen ACT 2616

Dear Sir/Madam,

You have invited public comment on aspects of the effectiveness of the NCP reform package. The Coolum Beach Progress and Ratepayers Association Inc. (CBP&RA) wishes to comment on the issue of NCP outcomes with respect to government business enterprises. In particular we wish to address the question "Have NCP outcomes been consistent with their stated objectives?"

Background:

Maroochy Shire Council declared their water and sewerage service provider, Maroochy Water Services (MWS) a commercial business as defined under the Local Government Act, in July 1998. On 11th June 1999 this Association posed a number of questions regarding the efficiency of MWS. Answers provided were evasive and generally unsatisfactory. However it was stated that the economic rate of return for MWS in 1998 was 9.26% compared with an average of 4.43% for the twenty members of the Water Services Association of Australia. This was a troubling response as it suggests overpricing. Benchmarking studies of MWS pricing relative to similar entities on the Sunshine Coast also suggest disparate pricing levels. In May 2003 this Association formally requested a Queensland Competition Authority prices oversight investigation of MWS that remains under review by Queensland Treasury.

Provisions of the Queensland Local Government Act relating to Council prices oversight obligations for business enterprises seem ineffective in protecting ratepayers against natural monopoly pricing abuse. Penalties are not prescribed for Council officers misleading elected Councillors in the case of a commercializing business enterprise, nor is an offending Council obliged to refund ratepayers excessive charges collected. It is our belief that ratepayers of Maroochy Shire are being subjected to such pricing abuse despite the objectives of NCP with respect to government business enterprises. The harm done is exacerbated by the long delay by State Government agencies in referring our formal complaint to the Queensland Competition Authority for investigation.

For the reasons outlined above, outcomes intended under National Competition Policy relating to the independent oversight of water and sewerage service charges by a local government business enterprise are not being realized.