



2 October 2026

Professor Flavio Menezes
Chair, Queensland Competition Authority
GPO Box 2257
Brisbane. QLD 4001

Via [on-line submission](#) form

Dear Professor Menezes

Re: Price monitoring investigation: Unitywater and Urban Utilities 2026-30, Part 2 Stakeholder Submission

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 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 stakeholder submission without prejudice to any correspondence from our members or other urban water service providers.

We would like to commend Urban Utilities and Unitywater for providing two sets (for Stage 1 and Stage 2) of high-quality, detailed submissions to the QCA within a 10-month period. This is unprecedented particularly given the size and complexity of the retail businesses.

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 without political interference. The Directorate noted its concerns around the abnormal 2-stage process outlined in the Referral Notice and the lack of clarity around Stage 1 and Stage 2 in our letter to the QCA dated 19 December 2025. We further outlined our concerns in that letter that there was 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. In our letter of 19 December 2025, we requested that QCA's consideration of a *line in the sand* commencing this financial year. There is no benefit to the businesses or to customers in reviewing *capital expenditure and RAB back to 2013*. Indeed, this has simply increased the costs and complexity of the review, which ultimately customers will fund.

In December 2025, we further outlined our concerns regarding 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*. Yet there was no reference to capped charges in the Referral Notice and accompanying letter – which is not in the interest of customers.

Retail water pricing in Southeast Queensland (SEQ) has not exceeded CPI. Urban Utilities in their submission to Part 1, December 2025, note that

The Urban Utilities component of a typical residential customer bill is lower in real terms than at formation, with Urban Utilities' component of bill increases averaging below Consumer Price Index (CPI) over this period. We've achieved this by managing rising costs while maintaining our network, delivering services and investing in essential infrastructure.

Data sourced by **qldwater** from the Energy and Water Ombudsman Queensland (which covers all five SEQ water retailers for both residential and small business) received a total of 320 (water-related) complaints over the past 12-month period (30 August 2025 to 30 August 2026). Of these, 133 related to high bills and all were successfully resolved. Given the five SEQ water retailers service approximately 1.5 million customer connections, the 133 complaints received around high billing represents less than 0.009% of customers.

Retail water prices have increased only marginally, raising serious concerns about the 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 risks, increasing electricity and insurance expenses, growing cybersecurity obligations, higher construction and materials costs, and the increasing burden of regulatory oversight and compliance.

We therefore request that the QCA undertake this Price Monitoring Investigation with due consideration that water retailers' prices will 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.

qldwater notes the lack of clear direction within the Referral Notice which has led to differences in the approach utilized by the two regulated entities in their Phase 2 submissions. For example, the treatment of fixed versus non-fixed bulk water charges; and the approach taken to determine the Weighted Average Cost of Capital.

There are other differences between the approaches of the two entities, such as the use of benchmarking. This reflects the fundamental differences in the age of the networks and other infrastructure, and densities of the communities served between the two organisations. Urban Utilities for example, has an older network which includes remote populations. Benchmarking in the urban water sector using National Performance Reporting (NPR) data and other data sets involves several well-documented limitations and structural challenges particularly around scale and scope, through to labour as an input in some areas and not others.

In no way should the different approaches utilized negatively prejudice either entity. The *choose your own adventure* approach of the Referral Notice was simply inappropriate for such large and complex retailers.

Commercial water businesses are subject to active pricing oversight by the QCA, (*Queensland Competition Authority Act 1997*, Part 3 and Subdivision 7). 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. **qldwater** does not want to see customers paying for inappropriate and convoluted pricing investigations driven by politics rather than customer best interest.

Further QCA processes must be transparent for the retail businesses. They must also provide sufficient time for customer engagement as this shifts retail businesses from treating customers as passive rate payers to building transparent, trust-based relationships which explore and reflect genuine customer needs rather than internal corporate assumptions. The current process (including the short 10-month period) has limited the genuine benefits that could have been realised by all stakeholders.

We also note the limitations of the QCA's powers to set urban water prices (Productivity Commission¹), rather only produce recommendations that the Government may or may not action.

Response

Dividend Payments

Queensland Urban Utilities and Unitywater are commercial distribution and retail water authorities owned by local government councils in Southeast Queensland, and they pay returns or dividends out of their net profits to these council owners.

- Unitywater: Owned by three participating local councils through a Participation Agreement: the City of Moreton Bay, Sunshine Coast Regional Council, and Noosa Shire Council.
- Queensland Urban Utilities (QUU): Owned by five local council shareholders: Brisbane City Council, Ipswich City Council, Lockyer Valley Regional Council, Somerset Regional Council, and Scenic Rim Regional Council

qldwater's report *Defining Financial Sustainability in Water and Sewerage Services Business* (2020), looked at the Payment to Owners component relevant to commercialised 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 commercialised business the payment to owner can represent a quarter of the overall cost structure (see Figure 1.1 in the report).

qldwater understands that as part of this price monitoring investigation, these dividends are not open for consideration or analysis, and assurance has been provided to the council owners.

Ratepayers debate whether these financial returns to council budgets should instead be used to lower household water and wastewater bills (noting these dividend payments are utilised for ratepayer benefit through the subsidisation of other council services).

This does present a contradiction between the Referral to consider 'water bill impacts' and the accompanying letter from Jarrod Bleijie MP, Acting Minister for Finance, Trade, Employment and Training dated 24 September 2025 focused to 'lower utility bills for Queenslanders'; and the direction not to consider dividend payments. This reflects a larger policy issue for the Queensland Government – that Local Councils only receive 3 cents out of every \$100 of total taxation revenue collected nationwide which is insufficient to deliver front line services (water to roads).

qldwater questions the sustainability of the dividend payments at current levels given asset life, increasing operating and finance costs, and increasing depreciation of assets. The financial sustainability of the water businesses is in the long-term interest of customers.

¹ Productivity Commission. National Water Reform 2026 Preliminary Assessment. [Interim Update](#). June 2026. See Table 3.

Developer Charges are Inadequate

The Queensland Government's *Shaping SEQ 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 the Urban Utilities area, existing water customers are subsidising new development at around \$95 per connection per year and this is estimated to rise as high as \$300. This is unacceptable. Historically, water customers have funded growth/future generations however, at current levels of growth this is unsustainable and unequitable. Developers should be funding growth with any shortfall or gap being funded by the Queensland Government (as their policy settings are driving and enabling the growth).

Areas outside the designated Water Netserv footprint in South East Queensland (SEQ) require strategic government funding support to offset prohibitive trunk infrastructure costs. Water retailer-distributors only guarantee infrastructure rollout within scheduled 20-year Connection Areas, developers pushing into unserviced greenfield or growth pockets must secure alternative mechanisms to deliver essential infrastructure such as roads, water, and wastewater services.

This issue has been recognised and there are current dedicated land supply and infrastructure funding initiatives, targeted to assist housing delivery inside the broader urban footprint but outside current utility deployment schedules. However, the current frameworks face several prominent limitations, funding mismatches, and implementation constraints including –

- oversubscription and capital shortfalls reflecting the extreme competitive pressure of the funds;
- high reliance of debt rather than funding;
- market capacity limits; and
- geographical and infill allocation imbalances.

While the funding is welcomed, it will not address the fundamental and ongoing issues associated with unprecedented growth and inadequate governance and regulatory oversight.

Since its inception, the MAC has also 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 National Water Initiative (NWI) [pricing principles](#) agreed in 2004 by the Council of Australian Governments.

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.

The conflicting Queensland Government priorities around cost of living, growth and housing must be addressed as do omissions in the policy framework. For example, the Queensland State Infrastructure Strategy and State Infrastructure Plan do not directly fund or centrally focus on urban wastewater infrastructure primarily due to governance and structural divisions of responsibility between different levels of government. While the state government sets broad environmental frameworks and planning codes; the day-to-day planning, asset management, and funding of wastewater systems are legally designated to councils and council-owned utilities.

Changing Times

The Weighted Average Cost of Capital (WACC) is the average rate a company pays to finance its business, combining the costs of debt and equity. The QCA determines the allowed rate of return by estimating the Weighted Average Cost of Capital (WACC) for a 'benchmark' business.

For past price monitoring investigations, the Queensland Competition Authority (QCA) applied a common benchmark Weighted Average Cost of Capital (WACC) across SEQ water businesses rather

than individual entity-specific WACC values². Specifically, for the 2013-15 price monitoring period, QCA estimated a benchmark WACC based on the methodology outlined in Appendix B of its Price Monitoring Final Report for 2010-11 with the 'on-the-day' method for estimating the cost of debt, and the method for estimating the risk-free rate remaining unchanged.

For this period, the QCA estimated a benchmark WACC of 6.57% per annum (post-tax nominal) for the 2013-15 price monitoring period which took into account the maximum allowable revenue (MAR) for purposes of price monitoring.

Up until 2022-23, surging post-pandemic inflation forced the RBA to embark on one of its fastest tightening cycles in history, lifting the rate through successive hikes.

As such, over the past 10 to 15 years, the corporate WACC has transitioned from a decade of historic lows into a sharply elevated, high-plateau environment. While it is accepted that utilities have a lower volatility, highly defensive revenue models, and robust cash flow visibility so the WACC is usually lower, even this sector has seen increases which are likely to increase into the future.

The WACC for utility businesses in Queensland is expected to face mixed, balancing pressures over the next five years, and while macroeconomic variables have driven nominal yields higher, regulatory body actions and political interventions are actively trying to suppress the final allowable rate of return to protect customers.

Urban Utilities has utilised the QCA methodology and presented a WACC of 6.95% (nominal, vanilla for Year 1) and Unitywater at 7.14% (Nominal post-tax WACC). We note that despite using slightly different wording in their submissions both organisations have used the same formulaic structure (Officer (1994) WACC3 model).

Both retailers have demonstrated commitment to prudent and efficient expenditure, balancing customer affordability and the delivery of high-quality water and wastewater services. The QCA has recognised that governance and capital planning processes met good industry practices (see Phase 1 QCA Interim Reports). Both organisations have been constraining their expenditure – with bill increases below CPI.

qldwater notes that in their Part 1 submission Urban Utilities committed to a 1.5% annual operational efficiency target over the FY2028–2030 period along with an additional efficiency dividend of \$10 million removed from their starting base expenditure reflecting efficiency opportunities identified through a Zero-Based-Budgeting exercise to assess the efficiency of their starting operational expenditure base. And in their Part 2 submission they have committed to a 2% capital efficiency target over the FY 2028-2030 period to demonstrate efficiency and customer affordability.

² [Final Report](#). SEQ Retail Water Long Term Regulated Framework Weighted Average Cost of Capital. September 2014.

qldwater is concerned that the proposed commitments by both organisations may not be in the long-term interests of consumers, particularly in light with the growing challenges impacting the businesses.

As we have seen in other jurisdictions there is a risk that reductions in expenditure may impact investment required to sustain basic service levels while meeting increased regulatory and customer expectations.

For example, in the UK, historical regulatory pressure to keep operational and capital expenditures low led to systematic underinvestment in network resilience and wastewater capacity. Combined with stricter environmental regulations regarding river pollution and storm overflows, this expenditure suppression resulted in widespread asset degradation and a collapse in public trust. To reverse this without sacrificing basic service levels, the sector is being forced into an unprecedented GB £90 billion recovery investment phase, and it is still unclear how these costs will be met by taxpayers.

In New Zealand local councils managed water infrastructure within general municipal budgets, frequently prioritizing lower local tax rates over long-term asset renewal. The prolonged reduction in infrastructure expenditure created an estimated NZ \$185 billion funding backlog required to bring basic drinking water and wastewater infrastructure up to safe, modern standards. Newly established, strict water quality regulations (via the regulator Taumata Arowai) mean that funding cuts or delayed investments now directly threaten basic service continuity, compliance, and public health.

Environmental compliance and enforcement associated with wastewater are adding significant costs onto both businesses (and indeed all wastewater treatment infrastructure across Queensland). These costs are escalating with the assimilative (environmental) capacity in SEQ already reached and the burden of 900,000 new planned homes with effectively *zero environmental output/impact* from treatment infrastructure in the fastest growing regions of Australia.

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 both the country and the networks. 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)³,

"... 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 is 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.

We also draw the QCA's attention to the recent [IPART review of water pricing framework for data centres](#). The framework seeks to ensure the adequacy of funding the upfront and ongoing costs of providing water services including augmenting capacity, without placing undue burden on existing and future water customers. While the NSW Draft Terms of Reference focused heavily on connection and water supply constraints, **qldwater** notes the significant impact that data centres have on wastewater networks through the release of contaminants (heat and chemicals). As a matter of urgency, the QCA should consider a relevant pricing framework for data centres, otherwise current residential customers in SEQ will subsidise these forms of development as well.

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)).

³ <https://reportcard.hlw.org.au/>

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.

Asset and Service Sustainability

Queensland is the most decentralised state in Australia – with many large local government areas with a very small population base. For these remote and regional areas, cost reflective pricing cannot be achieved.

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 lack of operating surpluses has been exacerbated in SEQ 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 were 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 Productivity Commission’s attention additional sources of information to understand the material and significant challenges facing the urban water 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, **qldwater's** work on the infrastructure cliff (2018, 2019)⁴ and the [Last Drop: Fixing Queensland's Infrastructure Cliff](#) (July 2026) by the Local Government Association of Queensland which identified a \$5billion shortfall in urgent water and wastewater renewals.

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

Yours sincerely

Dr Georgina Davis
Chief Executive Officer

⁴ https://qldwater.com.au/qwrap_research