Jeffrey Karykowski
41 Chermside Street
Highgate Hill Qld 4101

16 April 2003

Deborah Cope
Acting Executive Director
National Competition Council
GPO Box 250B
Melbourne VIC 3001

Dear Madam,

I have attached a copy of the response from Queensland Treasury regarding water charging for individually metered residential rental properties. Could you please attach this to my earlier submission for consideration by the National Competition Council.

The response indicates a lack of understanding of the issue and clearly states the position of the Queensland Government, which I believe, is **not consistent** with the Council of Australian Governments' water reform framework under National Competition Policy (NCP).

Firstly, the Under-Treasurer disagrees that tenants under present Queensland legislation receive free water allowance of upto 275 kilolitres per year. Clearly the *Residential Tenacies Act 1994*, states that, tenants in general, can only be charged for excessive water use and the owners or lessors are responsible for providing and paying for a "reasonable" amount of water supplied to the premises. As a part of Brisbane City Council's water conservation program it has a target of 275 kilolitres per householder per year. Council's research shows that with reasonable care by home owners, this is a "reasonable" level of water usage. Therefore, water usage by tenants upto 275 kilolitres is used by landlords as a bench mark for a "reasonable" amount, which the tenant is not directly charged for. As the tenant does not pay for this amount of water usage, it follows that they are receiving a free water allowance equivalent to 275 kilolitres, which under NCP should be progressively phased out.

Secondly, as part of normal commercial business principles it is prudent to note that, water charges are not and should not be factored into the rent revenue as suggested by the Under-Treasurer. The rent merely covers the leasing of the property and as such water should be billed directly to the consumer as is electricity, gas and phone charges. Further, present legislation is forcing Brisbane Water to use unfair business practices, by using property owners through rate notices as a means for collecting revenue. I believe this is exploiting property owners by using them as revenue collectors for a service they do not use. Brisbane Water is a business entity and should not be encouraged by present legislation to use unfair revenue-raising practices.

Finally, under the NCP governments should demonstrate that customers of water businesses face a strong volumetric signal. Under present Queensland legislation (*Residential Tenancies Act 1994*), the tenant, who is a customer of a water business, does not receive a strong volumetric signal, in that they do not pay **directly** for the "reasonable" amount of water (275 kilolitres per year). The "reasonable" amount is payed directly by the landlord who is **not** the customer of the water business or the user of water at the premises and therefore has no control over water usage in view of conserving water. The Act also supports the unfair business practice of unnecessarily recovering the costs of water supply by the landlord from tenants. There would be no need for this if tenants were billed directly for their water usage.

In conclusion, I believe the Queensland government should consider material changes to the current practices to reach total urban consumption-based pricing as agreed by the Council of Australian Governments'. In particular the case of separately metered leased residential properties, where Brisbane Water charges the owner of a property for water usage rather than the water user, and hence, the consumer does not face a price signal to conserve water. The reluctance by the Queensland government to change this as stated in the letter form Queensland Treasury dated 14 April 2003 makes them non-compliant with the Council of Australian Government' water reform framework obligations. The NCC should therefore request the Queensland Government to consider material changes to the current arrangements.

Yours Sincerely,

Jeff Karykowski

Queensland Government

Treasury

14 APR 2003

Mr J Karykowski
41 Chermside Street
HIGHGATE HILL QLD 4101

Dear Mr Karykowski

I refer to your letter of 17 March 2003 regarding water charging for individually metered residential rental properties.

As background, you will be aware the current situation is that under the *Local Government Act 1993*, the owner of a property is responsible for the payment of all local government rates and charges. In relation to residential rental properties, under the *Residential Tenancies Act 1994*, the owners or lessors are responsible for providing and paying for a "reasonable" amount of water supplied to the premises. Tenants, in general, can only be charged for excessive water used where the water is individually metered and if the tenant uses water above what could be considered a reasonable amount. Different provisions apply for moveable dwellings.

The Residential Tenancies Authority, which administers the *Residential Tenancies Act 1994*, provides the following advice on the factors to be considered in deciding what could be considered a reasonable amount of water usage:

- How does the local council charge for water?
- What is the average water usage in your area?
- How many people will be living in the premises?
- How large is the block or yard?
- Are there gardens or lawns which the lessor wants watered?
- Is there a pool or other special items that use a lot water?
- Are the premises fitted with water saving devices?
- What should the lessor reasonably pay for?

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In relation to the first of the specific issues raised in your letter, the Queensland Government is not considering any material changes to the current arrangements at this time. You have indicated that tenants in the Brisbane City Council area receive a free water allowance of 275 kilolitres per year which is subsidised by the landlord. This is not the case. The Brisbane City Council charges property owners based on water consumption using a two-part tariff; there is no free allocation to tenants or landlords. Furthermore, landlords, if they wish to do so, are able to incorporate an amount to cover water charges when setting the overall rent, and charge for use beyond a reasonable amount.

As you point out, the National Competition Policy (NCP) is seeking to phase out free water allocations and replace them with consumption-based charges using two-part tariffs. The great majority of Councils in Queensland, including Brisbane, have already moved to two-part water tariffs and most of the rest are expected to do so in the near future.

There is no need to make further legislative changes for this to occur. Chapter 10 of the *Local Government Act 1993* provides that all local government water and sewerage businesses which are deemed to be "significant business activities" are required to investigate the cost-effectiveness of introducing two-part tariffs. These significant business activities, which are operated by the 18 largest local governments including Brisbane, represent over eighty percent of all water connections in Queensland. The widespread extension of two-part tariffs to other local governments is the result of financial incentives provided by the State Government and the recognition by many local governments of the benefits of reforming their charging structures.

It is the Queensland Government's view that the current water charging arrangements in Brisbane and other local governments are fully consistent with the Council of Australian Governments' water reform framework under NCP. Two-part tariffs are being rapidly introduced and the *Residential Tenancies Act 1994* provides a workable mechanism for landlords to recover the costs of water supply from tenants, including a mechanism to discourage unnecessary or excessive use. Competitive neutrality reforms by council water businesses have been implemented or are well advanced, including the establishment of appropriate complaints processes. The water and sewerage businesses of the largest 18 local governments, including Brisbane, are now subject to prices oversight by the Queensland Competition Authority to ensure they do not overcharge their customers. It should be noted that the issues you have raised do not fall under either of the above competitive neutrality or prices oversight regimes established under the *Local Government Act 1993* or *Queensland Competition Authority Act 1997.*

Yours sincerely

(G. Bradley)
Under Treasurer