



Pioneer Valley Water Co-operative Limited.

A co-operative formed under the *Cooperatives Act 1997*.
ABN: 55 322 373 770

PO Box 275
(Level A, 120 Wood Street)
Mackay QLD 4740

Ref: 10_029_10

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Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Rate of Return Review 2021

Submission on the Request for Comments

Determining a rate of return is an important aspect of economic regulation, as it can have major impacts on the revenues of regulated entities and on prices paid by their customers.

The regulated entities in this case are government owned monopolies and as such they have a responsibility to their users to meet all the requirements of providing a service on a non-profit-making basis.

Government owned entities should not be surrogate tax collectors for the government and the concept of these regulated entities making a profit to pass on to the government is wrong.

These entities should be providing the service they were established to provide in the most cost-effective way possible, such that they break-even.

If government owned and regulated entities operated on this basis there would be no need to offer discount incentives and the government/the people would know that they were paying for a service and not surreptitiously funding the government.

The Weighted Average Cost of Capital is an **artificial** construct which requires an assessment by the regulator of what would be a reasonable rate of return. It uses **estimated** costs of equity and debt and is the **estimated** or expected rate of return on investment. It is used for various purposes, one of which is to derive allowable revenue. If the allowable revenue is the same as the cost of providing the services, the entity becomes solely a service provider and not a cash-cow for the government.

In other words, there should be no rate of return for regulated entities.

Yours faithfully,

STEVEN FORD
GENERAL MANAGER.