




Speech by

Dr Alex Douglas

MEMBER FOR GAVEN

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SOUTH-EAST QUEENSLAND WATER (DISTRIBUTION AND RETAIL RESTRUCTURING) AND OTHER LEGISLATION AMENDMENT BILL

 **Dr DOUGLAS** (Gaven—LNP) (2.45 pm): This legislation that is being debated today is an admission by this Bligh Labor government that it was fundamentally wrong when it imposed water distribution retailers on an unsuspecting public. The minister, on behalf of this government, is reversing his 19 May 2010 South-East Queensland water legislation because the public has revolted and continues to protest about water charges that do not reflect true cost recovery, are not justified, and, critically, are not affordable. This legislation is for Allconnex to be dismantled but is effectively a template that can be extended for the remaining two urban water utilities, Unitywater and Queensland Urban Utilities, for their potential break-up.

The public is and was correct, as it usually is. Allconnex was a thought bubble conceived in the Beattie Labor era where public utilities could be prepared for auction to feed a rapacious, out-of-control, high-spending government. This legislation today, once passed, will stop part of the suffering of Gold Coast, Logan and Redlands residents. Everything that one could not want as a water distributor-retailer occurred when Labor created Allconnex. That was despite the minister stating in his second reading speech of 19 May 2010 that the legislation was supposed to 'increase both the quality and the efficiency of water and wastewater services in South-East Queensland'.

Honourable members, this legislation did the opposite. The manifest incompetence and indulgent behaviour of Allconnex compounded it. The public reaction was universally hostile. The people of the Gold Coast and the majority of Gold Coast councillors and the mayor voted to disconnect from Allconnex and absorb it back into the council. Most wish it was dead or gone already, but we live in hope.

Allconnex had a board appointed with all members from outside the region. The board chair was from Cairns. The chief executive was combative and only made the public anger more dramatic after his intermittent public statements. He is now gone. The company took over all Gold Coast water assets and those of Logan and Redlands. It effectively nearly shut down the Pimpama Wastewater Treatment Plant and cancelled the Stapylton treatment plant that was conceived to support a massive area. The company took long leases over very expensive premises at Robina and embarked on a \$5 million plus office fit-out. The extravagance did not stop there. Allconnex appointed a vast number of staff on very high remuneration and embarked on a wide media campaign.

But it was in the detail of doing the water business where Allconnex had its greatest failures. Those staff who were grandfathered across were obviously mostly ignored, and that was the tragedy. Allconnex redirected its major capital works growth to the north, where growth had stopped, and away from the mid zone, where it was still growing rapidly. In fact, eight out of 10 of all the major water projects of the major capital works projects were scheduled for the north end of Logan and two in the old Gold Coast region. Local Gold Coast projects were both ignored and stopped. In one dramatic episode, completely inexperienced Allconnex staff incorrectly drilled in the main water pipeline along Bundall Road at a pressure of 200 PSI. That pipeline supplies the water for Surfers Paradise and its surrounds and the water supply was off for a prolonged period. Safety and professional management seemed to be low on the list of

priorities. There really appeared to be not only a lack of corporate knowledge but also an inability to understand how poorly Allconnex was viewed in the eyes of the public and the need to professionally run the business.

Allconnex bills, now separated from the council rates, showed major increases in the cost for wastewater services. They were 50 per cent higher than before. Retail water fees were unaffordable and often wrong. Allconnex appeared to have a policy almost of not reading water meters at all—not misreading them, but not reading them. These retail water charges, on top of this, were starting at \$1.70 with the \$1 charge from Allconnex making a \$2.70 per kilolitre bulk water charge to the consumer and due to go to \$4 per kilolitre by 2015. That is what really happened when the Trojan Horse, Allconnex, was inflicted on the Gold Coast, Logan and Redlands. And, of course, the inevitable occurred.

There really was no alternative given to the council or councillors at that higher level. They were threatened with massive fines if they opposed it. The state Labor government would have you believe that it was a case of 'take it or leave it'. There was no 'leave it'. Without a massive change in attitude, operation and business modelling, Seqwater will be as big a problem. Clearly the LNP's four-point plan will address many of those deficiencies obvious to date and should correct it. The public and council knew it was a Trojan Horse model from its inception, with its massive costs, its attempt to shift blame for massive price increases for water to councils and thereby to consumers, its difficulty to shut down and its later ability to be sold at great potential profit. Gold Coast City Council was accused of profiteering when it was instructed that it must run along prudential business lines and make a business return. The GCCC, after all of this, offered a rebate 30 times over and above the state government's derisory rebate offered when the initial complaints flooded in. Redlands residents only ever wanted to drink Stradbroke Island water and they stated that clearly, and that is what they should get in the end. Logan really needed water but they were denied the Wolffdene Dam water when it was cancelled by the Rudd and Goss governments in the past. That is what they are dearly lacking in this point in time.

The public will be furious to hear that the legislation that we are debating today still means that the council's operating units will continue to operate as water grid participants, distributor-retailers, and are still subject to the year-on-year price rise ratcheting model of Seqwater as the bulk water supplier. Fortunately the council owns and now controls all the pipes and is the retailer, but the vast increase in water fees is due to the Seqwater model. The Gold Coast City Council has totally redesigned the model and all the problems have been corrected. They are basically using engineers at one end to run it properly, properly recycling and also properly provisioning major capital works across the city. Remember, we have 11 million tourists a year and we are aiming to get to 15 million by 2014. This is a huge capital earner for the state and it must never be ignored.

Basically, Allconnex's separation will not impact on Redlands or, especially, Logan. Nothing like the minister's ballpark figure of \$200 million consequential costs will ever occur. In fact, estimates at the moment are 10 per cent of that and, as most will know, the provisions are 50 per cent of that estimate anyway. The Gold Coast has admitted that it will carry that cost. This bill is groundhog day.

Mr Lawlor: Then why are you supporting it?

Dr DOUGLAS: In fact, it takes us back to where we started, member for Southport, and it will actually benefit you in your retirement. You will be able to afford to pay for your water.

Mr Lawlor: Oh, that's good.

Dr DOUGLAS: So it will suit you. This is what a constituent said—

It seems that the state government have now legalised extortion and blackmail. We have nowhere else to go to get what is not a commodity for trading but an essential element for human life.

Families and residents constantly tell me they are at breaking point as living costs—or more accurately described as 'existing costs'—soar through the roof. The cost of Allconnex to consumers through this government's forced water price hikes is just another example of a government that does not listen to the needs of those that it represents.

There is a parting insult from the government about the nonsense about the price mitigation strategy and a quantifiable price path. Labor went for the money and it just jacked up those to pay for its excesses and its greed. Labor saw the public as a cash cow. It literally could not afford to pay the charges. Basically, Seqwater remains a big problem for the future. The government really needs to confront the issue that it has not put a fast con trick on the public. Allconnex was a debacle, entirely created, driven and ultimately executed by a failed Labor executive bureaucratic duopoly. Both are equally responsible and it is no doubt one of the reasons for the contempt the public has for both the minister and his staff.

This is a tragedy. I wonder what the future of Unitywater and Queensland Urban Utilities really is. The longer they continue, the more difficult they become to dismantle. Has the government created two impossible-to-slay, expensive future monsters? The proposal in this bill adding independent board members and a discussion about salaries for services looks trite and superficial. The bill is rightly a terminal one by a government in terminal decline. It is an admission of failure on many levels but mainly

convincing the public about its intention. It is part of the reason that the enduring narrative of this government's part in history will be one of a government that manufactured crisis after crisis which it could not fix and even burial would not hide the stench. Allconnex will be a study on how not to form and run a quango.