



FINANCE AND ADMINISTRATION COMMITTEE

Members present:

Mr MJ Crandon MP (Chair)
Mr R Gulley MP
Mr IS Kaye MP
Mr CW Pitt MP
Mr EJ Sorensen MP
Mr MA Stewart MP

Staff present:

Ms D Jeffrey (Research Director)
Dr M Lilith (Principal Research Officer)
Ms M Freeman (Executive Assistant)

DEPARTMENTAL BRIEFING—INQUIRY INTO THE SEQ WATER (RESTRUCTURING) AND OTHER LEGISLATION AMENDMENT BILL 2012

TRANSCRIPT OF PROCEEDINGS

MONDAY, 12 NOVEMBER 2012

Brisbane

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Committee met at 1.10 pm

BLACK, Mr Jon, Director-General, Department of Energy and Water Supply

BORRADALE, Ms Helen, Manager, Regulatory Instruments Unit, Queensland Health

JACKSON, Dr Greg, Director, Water Quality Unit, Queensland Health

LEAVER, Ms Gayle, General Manager, Water and Sewerage Reform, Department of Energy and Water Supply

SEDGWICK, Mr Ken, Deputy Director-General, Water Supply and Sewerage Services, Department of Energy and Water Supply

TONKS, Mr Greg, Principal Treasury Analyst, Queensland Treasury and Trade

YOUNG, Dr Jeannette, Chief Health Officer, Queensland Health

CHAIR: Good afternoon, ladies and gentlemen. I declare this public departmental briefing of the Finance and Administration Committee's inquiry into the South East Queensland Water (Restructuring) and Other Legislation Amendment Bill 2012 open. I am Michael Crandon, the chair of the committee and the member for Coomera. The other members of the committee here today are: Mr Curtis Pitt MP, deputy chair and member for Mulgrave; Mr Reg Gulley MP, member for Murrumba; Mr Ian Kaye MP, member for Greenslopes; Mr Ted Sorensen MP, member for Hervey Bay; and Mr Mark Stewart MP, member for Sunnybank. The members of the committee who are unavailable to attend the hearing today are: Mr Tim Mulherin MP, member for Mackay; and Mrs Freya Ostapovitch MP, member for Stretton.

The purpose of this hearing is to receive information from the department about the bill which was referred to the committee on 1 November 2012. The primary objectives of the bill are: the rationalisation of the SEQ bulk water industry by the merger of the three bulk water entities into a single bulk water service provider and the dissolution of the Queensland Water Commission; and the amendment of the Water Fluoridation Act 2008 to extend the criteria under which an exemption may be sought from the requirement that a relevant water supply be fluoridated and to clarify that an exemption may only be sought for an eligible relevant public potable water supply.

This hearing is a formal proceeding of the parliament and is subject to the Legislative Assembly's standing rules and orders. The committee will not require evidence to be given under oath, but I remind you that intentionally misleading the committee is a serious offence. Thank you for your attendance here today. The committee appreciates your assistance at such short notice. You have previously been provided with a copy of the instructions for witnesses, so we will take those as read. Hansard will record the proceedings and you will be provided with the transcript.

I remind all those in attendance at the hearing today that these proceedings are similar to parliament to the extent that the public cannot participate in the proceedings. In this regard I remind members of the public that under the standing orders the public may be admitted to or excluded from the hearing at the discretion of the committee. I remind committee members that officers are here to provide factual or technical information. They are not here to give opinions about the merits or otherwise of the policy behind the bills or alternative approaches. Any questions about the government or opposition policy that the bill seeks to implement should be directed to the responsible minister or shadow minister, or left to debate on the floor of the House.

I also request that mobile phones be turned off or switched to silent mode and remind you that no calls are to be taken during the hearing. I am very happy to ask the director-general to make a brief opening statement if he so chooses.

Mr Black: Thank you, Mr Chairman. I am accompanied today by the Deputy Director-General for Water Supply and Sewerage Services, Mr Ken Sedgwick, and the General Manager for Water and Sewerage Reform, Ms Gayle Leaver, and also accompanying the Department of Energy and Water Supply today from Queensland Treasury and Trade is Mr Greg Tonks. I will ask Queensland Health's Chief Health Officer to introduce the associated officers from Queensland Health in due course.

The bill is predominantly in response, as you said, to the government's key policy decisions around the merger of the single bulk water entity to create a single bulk water entity in South-East Queensland and also to abolish the Queensland Water Commission. Consequential to that are two aspects: one is the Brisbane

critical aspect around preserving the unique and very specialised Coal Seam Gas Unit, which was within the Queensland Water Commission, because of obviously the serious impact on groundwater and preserving that; the second is the issue around some red tape reduction initiatives that the government wishes to pursue. I will now pass to the Chief Health Officer to introduce the fluoridation issue.

Dr Young: I am Jeannette Young, Queensland's Chief Health Officer. I have with me Ms Helen Borradaile, who is the Manager of our Regulatory Instruments Unit within Queensland Health; and Dr Greg Jackson, who is the Director of the Water Quality Unit within Queensland Health. I am here to give information about the fluoridation changes that have been made in the bill.

CHAIR: Thank you. We have until two minutes to two o'clock, because some members have to leave then and we will not have a quorum. So we will get through this as quickly as we can. I will now pass to the deputy chair to open the questioning.

Mr PITT: Thanks very much for your attendance today. I understand that it was at reasonably short notice, so that is appreciated. My question would be firstly to the Director-General, Mr Black. With regard to consultation around this particular bill, did the department consult with the relevant unions who cover the employees who will be affected? Looking at the explanatory notes in terms of consultation, it does not appear from that list that the unions have been consulted. Can you clarify that for us and provide any other information around the consultation process?

Mr Black: The department did consult with the unions specifically around the transfer of employees from the existing entities to the new entities. If I may, more detail can be provided by Mr Tonks. Greg, would you like to add to that?

Mr Tonks: Yes. Certainly each of the businesses has consultation obligations under their certified agreements and we were very cognisant of that in initiating consultation with affected trade unions very early on in the process. I think within a week or so—I do not want to be held to that but it was within that kind of time frame—an industrial relations consultative committee was convened with representatives from the affected bulk water entities, a number of the trade unions—again, we can provide the detail to the committee—and the Public Service Commission, who was the other key stakeholder in that forum. That process is continuing. There are regular meetings through the industrial relations consultative committee with them.

Mr PITT: Is there any suggestion at this stage of potential job losses or how many jobs will be lost as a result of the merger?

Mr Black: I think that will be a matter for the new entity's board which will be in place pending the parliament's approval of this legislation by 1 January. The clear intention though of the two responsible ministers is to ensure the objective of meeting all the efficiency targets. I cannot speak for certain on job losses because, as I said, it is a matter for the board. However, I can say that in moving from the three entities to the single entity there will be a reduction in board members from 17 to six at this stage. Also, at the executive level obviously there will be a single CEO instead of three. My understanding is that the interim board for the bulk water entity has a structure of six senior executives against a total of 17 previously.

Mr PITT: Further along that line, I guess what I am hearing is that the board will be making the decisions in terms of jobs to be retained or otherwise. If that is the case, what has been put in place by way of transitional arrangements in terms of safeguards? Has that discussion been had? Is there any directive, if you like, to the boards in terms of what conditions must be safeguarded through this process?

Mr Black: A critical guidance to the interim board is of security of supply and safety obviously for the community through the transition period. There is nothing specific in terms of personnel, except obviously the preservation of the existing safeguards in the current agreements which will be transferred to the new entity.

Mr PITT: So all conditions will be maintained.

Mr Black: Except for the amendments that are made through this legislation; that is correct.

Mr PITT: Could you run through those just for the benefit of all of us here in a simplistic form?

Mr Black: Yes, the most simplistic form—and I will just lead to my colleagues if I make an error here. The legislation transfers the agreements from LinkWater and the grid manager into the parent agreement, which is the Seqwater agreement, and, in doing so, the no forced redundancy clause is removed in that process. Is that correct?

Mr Tonks: Actually, the no forced redundancy clause was removed by the provisions that went through the House as part of the Public Service and Other Legislation Amendment Act 2012 earlier this year. So that is to no effect in any event. As Jon rightly pointed out, the process contemplated in the legislation is the application of a single industrial instrument to transferring employees who are currently on certified agreements. It is likely at this point that the Seqwater agreement will be the agreement on to which employees transfer from LinkWater, the water grid manager and a handful of employees who are coming from the Department of Energy and Water Supply. In terms of the safeguards in the legislation, certainly, there is a provision that the transfers will not reduce employees' total remuneration or prejudice transferred employees' existing or accruing rights to super and other forms of leave, which are very basic conditions.

Mr PITT: There was a note that there may be a change to the hours worked each week for some employees from a 36-and-a-quarter-hour week to a 38-hour week. Can you provide any further details or clarification around that? Obviously, it seems to be that there may not be compensation given for those change of work hours.

Mr Black: I cannot answer that question. I will just see if Greg can give an answer to that.

Mr Tonks: Certainly, that is part and parcel of the matters being considered between the SEQ Bulk Water Company Limited that is leading the implementation and the existing businesses. I think we are talking roughly 25 out of 500 certified agreement staff will be in a situation where there will be a shift from a 36-and-a-quarter to a 38-hour week. I am reluctant to get into the process. I know there is detailed discussions at this point between the entities and the Public Service Commission. Again, this is a matter on which the unions have been consulted—about the translation exercise, that is, going from existing certified agreements to the Seqwater agreement.

Mr PITT: So in good faith the government is negotiating regarding those 25 employees?

Mr Tonks: Yes.

Mr PITT: Thanks.

Mr Tonks: I should say, less the government—obviously, the Public Service Commission is involved in the negotiations but largely the negotiations are happening between, as I said, the South-East Queensland Bulk Water Company and the businesses themselves.

CHAIR: Member for Greenslopes, do you have some questions?

Mr KAYE: Yes. Can you explain to the committee whether the Rural Water Advisory Group will continue under the proposed changes and what processes are being put in place to address the water resource planning, reliability and price issues for rural users?

Mr Black: I am not particularly familiar with that group. Is it in respect to the mid-Brisbane irrigation, or more specifically the wider—

Mr KAYE: Yes, the wider—

Mr Black: The wider group. I will just ask Ms Leaver just to add to my comments.

Ms Leaver: The Rural Water Advisory Group is not impacted by this legislation. That is a consultative group that historically was established between the commission and the irrigators. That group is still continuing under the banner of the department and the irrigators and the issue of irrigation and irrigation prices. The QCA is currently doing a price review of the SEQ irrigators and that is going through a normal public process.

CHAIR: Anything else?

Mr GULLEY: My question is for Mr Jon Black. In regard to the merger of the bulk water entities, can you outline the role of the new single merged entity called the Bulk Water Supply Authority?

Mr Black: Certainly. The entity will take on all the responsibilities of the existing three entities, Seqwater, LinkWater and the grid manager, but also take on some responsibilities that will be bestowed through this legislation for ensuring the security of supply for water in perpetuity. That will be done through the making of a regulation where the government will continue to set a level of service. So it is a very explicit function that the entity has.

Moreover, the legislation allows this entity to optimise the infrastructure that is currently owned by LinkWater and Seqwater. It also includes the operational function that is currently with LinkWater, which makes the decisions by which the water is shifted around the water grid to ensure security of supply but, moreover, how that can be optimised in terms of efficiency. So bringing those together under the one umbrella is seen as a key plank in terms of achieving the government's objective of efficiency.

CHAIR: In different parts of the explanatory notes the Queensland Bulk Water Supply Authority is referred to by different acronyms: Seqwater, or the authority. Can we confirm that the references are to the same entity?

Mr Black: We have to be cautious with that, Mr Chairman, because Seqwater is the entity, or the vehicle—the legal or the trading name of what is referred to in the legislation as the bulk supply authority. So Seqwater is like the trading name. The legislative name is the South-East Queensland bulk supply authority.

CHAIR: Are you going to continue with the Seqwater name beyond 1 January?

Mr Black: That is again a matter for the new board.

CHAIR: Okay.

Mr Black: Currently, as Mr Tonks referred to, it is the SEQ Bulk Water Company that is the vehicle being used to do the transaction work at the moment. The two responsible ministers, however, have to agree to the name that is proposed by the board.

CHAIR: Okay. So there is a possibility of a name change—perhaps a rebranding, a new launch and all of that type of thing?

Mr Black: That is my understanding.

CHAIR: On to the member for Sunnybank.

Mr STEWART: The committee has noted that the bill will relieve local governments of the obligation to publish the five-year price path for 1 July 2013-18. Can you explain the reason behind that decision?

Mr Black: The government made a policy decision to revoke what was called the fairer water prices legislation, which required the councils and their respective distributor-retailers to publish a five-year price path. Through this reform there will a new whole-of-sector regulatory framework imposed, which would mean there was a duplication of function and unnecessary red tape. Moreover, during the consultation phase the councils and the distributor-retailers were very keen to see if the government could address that policy, because it was going to add cost with no benefit to the consumer.

Mr STEWART: Okay. So the service providers previously were subject to the direction of the QWC to prepare and comply with the water efficiency management plan. Will these management plans still be required? If so, who will be responsible for monitoring these?

Mr Black: I might ask Ms Leaver to answer that question. She can be right across the detail on that question.

Ms Leaver: The bill takes away the mandatory requirement for water efficiency management plans for high water business users—that is over the 10 megalitres per year. So it will basically put a flexibility back on the service provider should they wish to require that of a business in their council area—if it is the likes of Gold Coast, Logan and Redland—or in Unitywater and QUU. So it is basically giving the flexibility back to the appropriate service provider how they can manage their water use and water efficiency within their service area. That is no different from the rest of Queensland. It is not mandatory. It is a requirement on the service provider.

Mr STEWART: Can you explain how the process for any future directives for water restrictions will be managed?

Ms Leaver: Because of the abolishment of the commission—the commission was an independent statutory authority and set the water restrictions—the bill now says that the individual service provider will, like the rest of the state, have water restriction powers. That means that the bulk entity will have water restriction powers as will the DRs and the council water businesses. The intent of the government over the next six to 12 months is to have a public consultation framework on restrictions going forward so that the committee can broadly consult on what they consider appropriate restrictions for the long term.

Mr STEWART: Okay.

CHAIR: Member for Mulgrave?

Mr PITT: Thank you, Mr Chair. Again to Director-General Black, with regard to clause 30, could you explain to the committee the justification for allowing a regulation to override the Industrial Relations Act 1999 notwithstanding what we have seen in the House earlier in the year? Obviously that has a—

Mr Black: Do you mind if I ask if Mr Tonks to answer? He is best qualified to answer that question.

Mr PITT: I am happy for you to refer the question.

Mr Black: It is a transfer of liabilities.

Mr Tonks: Actually, it follows from a discussion that we started a moment ago in terms of applying a single industrial instrument in the transfer of employees. This was something, again, that was consulted with unions and the bulk water entities and the South-East Queensland Bulk Water Company. I think there was a very firm view, particularly from the interim board, of the advantages of moving to a single agreement—a single payroll, reducing some of the administrative risks associated with maintaining several sets of conditions in parallel. That was largely the logic. Consistent with the overarching objective of the bill to integrate the business, there was a view that there would be some benefits in moving to a single industrial instrument sooner rather than later.

Mr PITT: I might direct this to Mr Tonks, if that is okay. The explanatory notes state that the regulation will override the usual provisions regarding the transmission of the industrial instruments to a new employer under the IR Act, but it will not take away a person's existing or accrued rights, such as existing leave entitlements, or reduce their total remuneration. Can you outline what entitlements will be overridden and what the other protections are that are contained in the bill?

Mr Tonks: I might take that one on notice, if I can?

Mr PITT: That is fine; no worries at all. On that, and I guess this may follow on from the question you have taken on notice, can you explain what practical effect this will have on the employees of the merged entities? Not only what are the actual entitlements themselves, but also what will the actual impact be, positive or negative, on those employees?

Mr Tonks: I guess within the broader context that you have described, the preservation of overall remuneration and rights entitlements, I alluded a moment ago to the process that is ongoing, being led by the bulk water company in consultation with the businesses, to work through, as I said, the translation exercise: what it means for individual employees as they come over from existing agreements to the Seqwater agreement. I am not sure that I feel necessarily sufficiently well briefed on the detail of those

discussions to talk to the committee. I would prefer to consult with colleagues at the Public Service Commission and again come back with further information on that process, in terms of the overall implications for individual employees. As I said, it is a work in progress. I know the bulk water company is taking this extremely seriously in terms of the translation process.

Mr PITT: I know the committee is certainly looking for the most fulsome answers possible, so we are very happy for you to take that on notice.

CHAIR: By the end of the week, though.

Mr Tonks: Sure.

Mr PITT: Thank you, Mr Chair. That is a good point. Mr Black, before the election we saw the government talking about amalgamating the four water entities into one entity and extending the bulk water price path to 40 years in order to achieve savings, as they put it, on water bills of \$80. Noting that the plan to extend the price path has effectively been scrapped and the \$80 rebate on water bills has now had to be funded from \$92 million of new spending and only applies to South-East Queensland, my question is: what advice did the department provide on this proposal and whether or not it could be achieved?

Mr Black: There has been no direction to me to put aside the review of the bulk water price path. We have a task to deliver options to the government in March next year through the Cabinet Budget Review Committee reprocess.

Mr PITT: In terms of overall advice on that proposal, by way of either costings and whether it was possible or not—I guess on whether it has been scrapped or not you have answered that question, but certainly in terms of the actual advice provided?

Mr Black: Certainly the advice that the department has provided is technical in nature in terms of the options to date, and that was around the options the government could look at in terms of the commitment to the \$80 rebate. As I said, they have agreed that that is to be delayed until March next year. It is important that the department continues to look at all the options that we can present to the government in terms of achieving its objectives.

Mr PITT: In that technical advice, did that include the costings side of it, in terms of the affordability?

Mr Black: Not so much the affordability. It was looking at all the options around dealing with the price path, which is related to consumption, as well—I think you are aware of that—so that the government could be presented with all options in terms of the implications of extending debt periods, dealing with the debt through various vehicles it has within the government, also looking at the assets specifically around how we could reduce the operating cost, as well as obviously the ongoing critical issue of interest costs on the debt associated with the assets that were built in response to the drought.

Mr PITT: Was that advice verbal advice or written advice?

Mr Black: We provided written advice through the Cabinet Budget Review Committee.

Mr PITT: Obviously it was never outside of the cabinet process, other briefs made available to the government, ahead of that being taken to CBRC?

Mr Black: Let me just consult with my colleague, Mr Sedgwick. No, it was all through the Cabinet Budget Review Committee process.

Mr PITT: So I assume that that means it is all in confidence at this stage. That is all I have for the moment, thanks.

CHAIR: I will come to the member for Hervey Bay in a moment, but I will follow on from the earlier question of the member for Sunnybank. The Queensland Urban Utilities submission—which you probably have not seen, we have just discovered—notes its concern that whilst empowering QUU to impose water restrictions across its geographic service area, the bill has no provisions to allow QUU's duly appointed authorised persons to monitor compliance with any water service provider restrictions imposed by QUU or via regulator direction. Can you please explain why this is the case?

Mr Black: The brief by Ms Leaver that this bill enables water restrictions to be imposed immediately the bill is made law, however, there is a clear understanding that the consultation process with the community has to occur on future vehicles for restrictions and also the compliance with those restrictions, which, under the current guise, is the responsibility of respective local governments under the current arrangements and its intention to change that. I will ask Ms Leaver to add to that.

Ms Leaver: I am conscious that I have not reviewed the QUU submission, but if there is a concern around authorised officers' powers and compliance, that will be addressed as part of the public consultation on making certain that there is a restriction framework that makes sense, is least cost and actually can be enforceable.

CHAIR: Thank you. Member for Hervey Bay?

Mr SORENSEN: With the proposed changes to the water efficiency management plan, how are those changes going to affect the councils and things such as that?

Ms Leaver: Certainly, from a business perspective, it means a business does not have to submit a water efficiency management plan to their service provider for review and consideration. From a business perspective, it may be helpful for the business to understand how much water it is using or, in fact, how much energy it is using, because they may be key inputs and key dollars for them. From the service
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provider perspective, having these plans not necessarily mandatory does mean that the service provider can actually target key businesses and help them look at opportunities to improve their water efficiency, rather than having a blanket volumetric figure. For example, nurseries are often high water users. They have already implemented a number of water efficient irrigation systems. Having a plan does not necessarily mean there will be further improvements in that sector.

Mr PITT: I think this follows on from the member for Murrumba, who talked about local government earlier. Mr Black, the consultation includes having spoken to the SEQ councils about the proposed changes. What is the view of the SEQ mayors on the proposed changes to these structures?

Mr Black: I am just trying to recollect the Council of Mayors meeting that the minister attended and I was present at, and whether there was anything specifically formally conveyed or it was just a general discussion of agreement. If I can, I will consult with my colleagues again to see if I can add anything to that.

Ms Leaver: Certainly my understanding is that the councils are supportive of a merged entity. The one advantage with a single bulk entity is this: the current arrangement is that the contract arrangements are between the councils and the water grid manager. With a single bulk entity, there is a direct relationship with, basically, the supplier and the customer. That is always good news for a customer, because it means they can actually sit down and work through the problems without an intermediary party. Detailed consultation is working through on perhaps some of the market and governance arrangements that will fall out of the legislation. My understanding is, and I participate in and attend those meetings, that the SEQ councils are supportive of the work program.

Mr PITT: You made reference to a specific meeting of the Council of Mayors. What date was that meeting? I am happy for you to take that on notice, by the way.

Mr Black: Can I take it on notice? It was a Friday. I could probably look it up.

Mr PITT: The second part of the question is related to whether there are any formal minutes from those meetings that are available? Obviously in any large group of elected people there is never 100 per cent agreement. I am looking to find out in what areas people did agree more cooperatively or whether there were some objections to components of the proposal that had been put forward?

Mr Black: I understand the Council of Mayors of South-East Queensland does keep minutes of the meetings, but I am not sure about what the protocols are for the release of those.

Mr PITT: Are you happy to follow that one through on behalf of the committee?

Mr Black: I am absolutely happy to see if it can be obtained. I do not see why it cannot. I am happy to take that on notice, too.

Mr PITT: That would be great. Thank you very much.

CHAIR: Jon, what mechanisms are being put in place to protect the distributor-retailers from liability for losses that may be caused by the Bulk Water Supply Authority?

Mr Black: If I can clarify the question, are you asking around the commercial contract between the distributor-retailers and the—

CHAIR: Once again, the Queensland Urban Utility submission notes their concerns regarding proposed section 360L of the Water Act and a concern that no protections have been included for them in the event that they are sued for consequential loss by a third party, by example, relating to water quality or supply issues caused or related to a bulk water supply authority for which they as a distributor-retailer have no control?

Mr Black: I might pass again to Ms Leaver who is across the detail. My understanding of the negotiations for the bulk supply agreement, which will be the instrument that will have a contractual relationship between Queensland Urban Utilities and the new bulk water entity, is still being negotiated. Do you have anything to add to that?

Ms Leaver: That certainly is the case. The issue of water quality and liability has been raised by a couple of people. I think all have agreed there is actually no easy answer and we have asked the water businesses to come back and provide some further comments on that. There has been no final bulk water supply agreement or contract developed at this stage. We are still at a draft stage.

CHAIR: When will you finalise that?

Mr Black: I could add to that, Mr Chairman. It is a status quo today, as well. Having been involved directly in the current arrangements, the contractual arrangements between the bulk entities and the distributor-retailers is exactly the same in terms of the responsibilities for liability.

CHAIR: Is there a timeline, though?

Ms Leaver: The aim would be, obviously, the bulk water supply agreements to be finalised by the end of the year, so that they are operational from 1 January.

CHAIR: Are there any other questions of the DG?

Mr KAYE: In relation to proposed section 360W, what safeguards have been put in place to ensure that consultation between the minister and other industry stakeholders regarding bulk water prices will continue?

Mr Black: The new entity will have its obligations reduced somewhat in terms of the government still controlling the bulk water price. However, the intention is that in due course that entity would have some responsibilities of the price setting. However, it is probably very important to say that the economic regulatory framework that is still being examined now will play a key role in that process. Is there anything to add to that?

Ms Leaver: I also think it is important to note that the bulk water price is a different figure to the cost of supply. So the cost of supply is close to cost reflective pricing. The bulk water price is essentially a subsidised price of that. So it is a lower version. This is what households and businesses pay.

Mr PITT: Mr Black, the amendments will result in roles of the regulator and water supply and advisory residing in the same department, with the minister also having responsibility for water pricing. Can you explain how these functions are going to be managed? Under section 360 the minister will have ultimate responsibility for water prices as well as setting the directives for water restrictions. Can you explain the justification for this?

Mr Black: If I could take the last part of the question about water restrictions first. The minister's powers are quite explicit emergency powers rather than restrictions for a drought response or indeed an infrastructure failure. His powers are more around emergencies. The second part of the question around the minister's responsibility for pricing, this is in conjunction with the government's responsibility through the cabinet budget review process, as it currently stands. As Ms Leaver said, currently the government is heavily subsidising those prices.

The first part of the question, if I get this wrong please correct me, is the issue about having the regulator in the same department. The regulator that sits within the Department of Energy and Water Supply separated from the policy section is around water quality issues for recycled water and the performance of entities, it is not economic regulation. That will be sitting outside through the Queensland Competition Authority.

Mr PITT: That leads into the question I have next which relates to the QCA. Will the QCA have that ongoing role in relation to water prices? Do you see that continuing into the future?

Mr Black: The government's decision this year was to maintain the QCA's current role of price monitoring for the distribution retailers, noting there was an absence this current financial year of the three southern ones now that Allconnex is dissolved. The intention is to bring all those entities, including the bulk water entity, under a single umbrella framework for economic regulation. Anticipate that regulation to be relatively light handed, in the sense that it will be similar to the price monitoring by the QCA that we have seen across South-East Queensland. It will not be price deterministic at this stage.

Mr PITT: I have one final question. What role has the Department of the Premier and Cabinet had in these changes? Has there been any direction given from DPC with regard to the proposal and the subsequent bill?

Mr Black: I do not believe there was any direction, but I will consult with my colleagues.

Ms Leaver: Like any legislation we have consulted with a number of agencies. My understanding is that there has been no direction around economic regulation. I do stress that the QCA already has a role in providing advice on the grid service charges which is actually the cost of supply within the grid. The minister, in setting bulk prices under the bulk water supply code, can utilise the services of the QCA.

Mr PITT: My question related to the Department of the Premier and Cabinet and whether there has been any direction from DPC?

Mr Sedgwick: They have been involved in every part of the development of the bill and the submission that went to cabinet. As with many other departments, they raised issues, but there were certainly no directions given to us.

Mr PITT: So it was led by the Minister McArdle, pure and simple?

Mr Sedgwick: Yes. The overriding principle behind this was implementing election commitments about merging the three entities and abolishing the Water Commission. I guess that was the foundation of the development of the submission to cabinet and the subsequent bill.

CHAIR: We might move to Dr Young for the last 10 minutes.

Mr SORENSEN: New subsections 8(1) (c) and (f) stipulate the circumstances in which exemptions can be sought. Some of these provisions could be interpreted quite broadly. Can you please explain what guidelines and evidence will be required to substantiate claims for such an application for exemption? Will the applications for exemption be subject to the public consultation process?

Dr Young: I might ask my colleague to respond specifically to that.

Ms Borradaile: It is intended that there will be guidelines put out. The Queensland Fluoridation Committee will also have involvement in looking at those guidelines. Water suppliers will always be able to come to the department and seek assistance in understanding whether they are eligible to apply for an exemption, but there will be a detailed implementation program put in place to help support councils.

Mr SORENSEN: Will they be subject to a public consultation process as well?

Ms Borradaile: I am not aware that they are. The guidelines will be—I need to refer to my colleague—

Dr Jackson: I can answer that.

CHAIR: Just to clarify, Dr Jackson, we are talking about the applications for exemptions.

Dr Jackson: There is no consultation process in the workings of the Queensland Fluoridation Committee. It undertakes its inquiries on referral from the Minister for Health and provides recommendations back to the minister.

Mr STEWART: The committee has also received a number of suggestions that exemptions should be allowed for population centres larger than 10,000 people. Can you explain the justification for the figure of 10,000?

Dr Young: The reason is that 10,000 is a significant size so you can justify it on costs. We know that fluoride in a water supply significantly improves the health of the teeth. It is when you get smaller than that size community that you start running into issues about cost benefit. Above 10,000 there is definitely a very significant cost benefit.

Mr STEWART: The committee has also heard that a majority in some communities are against the introduction of fluoride to their water supply. Can you explain whether there are any circumstances where these communities may be eligible for exemptions within the provisions of the bill?

Dr Young: No, there are no provisions in the bill for that.

Mr GULLEY: My question for Dr Jeannette Young is around the number of people and exemptions. If we had a small shire council with 2,000 or 3,000 residents but only 500 of those residents are actually connected to the potable water supply, what is the interpretation around the 1,000 mark for the exemption from fluoridation?

Dr Young: It is the number of people who consume the water. They might not be connected to the potable water supply but they might be coming into town on a regular basis and drinking the water. For instance, school children going to a school. So we look at the number of people actually consuming water from that fluoridated water supply.

CHAIR: How do you come up with that figure? A lot of farmers never go to town.

Dr Young: It is usually fairly clear. There are a few that are borderline. But in most places that is not the case. I chair that exemption committee. It is very easy to look at the numbers who are in the town who would be consuming the water Monday or Friday. It has not been borderline to date.

Mr GULLEY: Can you explain that exemption committee process and how that works?

Dr Young: The committee is legislated for in the act. It looks at exemptions that have been put forward to the minister and then provides advice to the minister.

Mr KAYE: Just going on from that, can you advise the committee what the effect of those amendments will be on those providers who may have already received exemptions under the existing legislation? Will there be a need to reapply for those exemptions?

Dr Young: No, there will not be because this act has broadened the amendments, it has not narrowed them. So there will be no need to reapply.

Mr KAYE: Can you also confirm the cessation date for the Queensland Fluoridation Capital Assistance Program? Is it intended that this program will be continued in some form to assist providers in the future who may cease their eligibility for exemptions under proposed section 8 due to population growth?

Dr Young: No, there is not.

Dr Jackson: I can answer that. The Queensland Fluoridation Capital Assistance Program has been extended to June 2014, but there are no current plans to extend it beyond that date.

CHAIR: The committee notes that the OGIA will be funded by an annual levy payable by each petroleum tenure holder. What protections will be put in place to ensure that its data analysis and reports will not be unduly influenced by their funder?

Mr Black: I think the question is around the safeguards that there is no undue influence on the independence of the authority by the tenure holders who are making the funding contribution. That is the question, is it not?

CHAIR: Yes.

Ms Leaver: There is no change to what currently happens. The new office will still be obliged to independently undertake its functions. While it may be funded by the petroleum tenure holders, it has a legal obligation to provide independent evidence based information to the government.

CHAIR: The committee also notes that QWC received funding from a variety of sources including a levy from coal seam gas. Is it anticipated that this levy will continue to apply? If so, where will this funding go?

Ms Leaver: The QWC had two quite discrete functions which were around supply and demand management functions, which was the levy on the bulk service providers. That levy ceases when the QWC is abolished. Its separate levy was on the petroleum tenure holders. That only funded the CSG water functions. That levy continues with the new CSG functions which are established as an independent office.

CHAIR: Are there any other comments that anyone would like to make?

Mr Black: For the record, the minister met with the council of mayors South-East Queensland on 12 October. I also met with them initially on 7 June this year. I will take the other part of the question on notice, if I can, about whether or not we can get minutes from that meeting.

CHAIR: Just to reiterate, anything that you have taken on notice or any clarification that you need to get to us we really need by Friday. The time allocated for the departmental briefing has expired. If members require any further information, the committee will contact you. Thank you for your attendance today. The committee appreciates your assistance. I declare this departmental briefing closed. It is the wish of the committee that the evidence given before it be authorised for publication pursuant to section 52A of the Parliament of Queensland Act 2001. Thank you very much for your time.

Committee adjourned at 1.59 pm