Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023

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SUBMISSION

13 December 2023

Ms Stephanie Galbraith
Committee Secretary
The State Development and Regional Industries Committee
Parliament House
George Street
Brisbane QLD 4000

Email: SDRIC@parliament.qld.gov.au
Submission: online

Dear Ms. Galbraith

Re: Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023

The Queensland Water Directorate (***qldwater***) is the central advisory and advocacy body within Queensland's urban water industry, working with our members to provide safe, secure and sustainable urban water services (drinking water, sewerage and wastewater treatment) to Queensland communities.

In providing these essential services, the urban water sector owns and operates sewer lines, water and wastewater treatment plants, pumping stations, reservoirs; and a range of other critical water technologies/ infrastructure.

There are currently 370 water supply schemes and 265 sewage schemes ranging from large-scale infrastructure in South-East Queensland (SEQ), to facilities in regional and remote Queensland (including those servicing island communities).

The Queensland sector is comprised of 75 service providers directly employing nearly 7,000 people. Of the 75 publicly owned water service providers, 66 are local councils outside of SEQ, 15 of these are Aboriginal councils and two are Torres Strait Island councils.

qldwater members include councils, the council owned statutory authorities in south-east Queensland and the two state-government owned statutory authorities. Our members currently service 1,916,519 sewerage connections and 2,117,663 drinking water connections (data from ***qldwater's*** Statewide Water Information System). These numbers are set to substantially increase with the current and projected population growth.

We welcome the opportunity to provide a submission to State Development and Regional Industries Committee on the *Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023*. ***qldwater*** provides this submission without prejudice to any submissions from our members or other urban water providers.

Background

The Bill aims to give local governments the flexibility to charge developers for trunk infrastructure according to the cost of delivering that infrastructure.

The *Planning Act 2016* gives the State Government power to make a regulation prescribing a maximum amount for infrastructure charges levied by local governments. This cap on infrastructure charges creates a disconnect between the regulated maximum amount and the level of funding that local governments and communities actually need, and limits the amount of revenue that can be gained from charges to fund essential infrastructure in growing communities. It also gives local governments limited flexibility to respond to higher costs of providing infrastructure during inflationary periods in the construction industry or real estate market.

The Bill seeks to amend the *Planning Act 2016* and the *South-East Queensland Water (Distribution and Retail Restructuring Act) 2009* to remove references to maximum adopted charges for providing trunk infrastructure for a development. The proposed changes are intended to allow local governments to increase the charges levied on developers to fund local infrastructure, services and facilities.

The Role of the Urban Water Sector

The role and functionality of urban water utilities has evolved, commencing with (safe) water supply, and then the provision of sewerage, drainage, environmental protection and, more recently, water security and reliability efforts.

Increasing pressures from climate change, population growth, urban densification and urban sprawl require water utilities and water service providers to adapt and innovate, to maintain service delivery standards despite increasing costs. These pressures are contributing to a variety of challenges including water security and reliability concerns which, if not managed, will negatively impact community liveability, environmental flows and biodiversity, as well as economic prosperity.

The volume and complexity of regulation impacting the urban water sector is increasing and there are commensurate costs for compliance.

Local Governments – Urban Water Providers

Councils deliver four essential services to the local community: roads, water, wastewater/sewerage, and waste collection. Such services impact on the liveability of an area. Many Councils deliver these services without an ability to recover their revenue from their rate payers. They are often a *provider of last resort* of services to their communities and additionally have legacy assets to maintain. They do so with limited recurrent financial resources as they are typically dependent on government grants. This is particularly true for far western, remote and Indigenous local governments[1].

Outside SEQ, all local governments provide urban water services to their communities. The smallest urban water network provider has only 140 connections.

According to the Queensland Audit Office, in 2021-22, only 35 councils generated an operating surplus. Although this is consistent with the previous year, the sector's operating results were favourably impacted by receiving a large portion of one of its grants in advance. In the absence of this advance grant funding, only 28 councils would have generated an operating surplus in 2021–22. As of 30 June 2022, 46 councils (2020–21: 45 councils) are still at either a moderate or a high risk of not being financially sustainable[2].

Population Growth

Queensland's population is set to grow from the current 5.4 million to between 6.4 and 8.27 million by 2046[3]. Brisbane is projected to remain the most populous LGA in Queensland, increasing from 1.26 million persons in 2021 to between 1.46 million and 1.76 million persons by 2046. The Gold Coast is expected to remain the LGA with the second-largest population in 2046 (increasing from 634,000 persons to between 849,000 and 1,130,000 persons by 2046), followed by Moreton Bay, Sunshine Coast, Logan, Ipswich and Townsville. Of Queensland's top 10 LGAs by population size in 2046, eight are in Southeast Queensland (SEQ). The remaining two LGAs, Townsville and Cairns, are in regional Queensland.

The recent Shaping SEQ 2023 Update[4] is the Queensland Government's plan to shape the future growth of SEQ, encompassing the 12 local government areas of Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Noosa, Redland, Scenic Rim, Somerset, Sunshine Coast and Toowoomba (urban extent).

The draft Shaping SEQ 2023 Update sets the framework for responding to the growing and changing region and is based on a data-driven planning approach. It aims to provide better housing choice by focusing on density and diversity in housing types. This includes the types of development sought.

Proposed infill developments and other urban building to manage the growing population will increase pressure on existing assets such as in-ground sewers. The urban water sector is already facing an 'Infrastructure Cliff'[5] across many of its assets, and it is likely the increased loads and external levels of disturbance will shorten expected lifespans even further. This must also be a consideration in infrastructure funding – it is not simply about building new, but upgrading and maintaining what is already there to meet the increased capacity needed; and this is costly.

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[1] Queensland Audit Office. Managing the Sustainability of Local Government Services. Report 2. 2019-2020.

[2] Queensland Audit Office. Local Government 2022. Report No. 15. 2022-2023.

[3] Queensland Treasury – Queensland Government Statisticians Office. Population Projections.

[4] See https://shapingseq.statedevelopment.qld.gov.au/

[5] See reports, Infrastructure Cliff: Queensland Ageing Water and Sewage Assets; and Cost Implications for In-Ground Assets. https://qldwater.com.au/qwrap_research

These costs are further compounded by inconsistent and haphazard planning and Code approaches to building over sewers which has led to damage of existing infrastructure and an inability of the urban water sector to effectively access its own infrastructure in some cases.

Other Considerations – Climate Impacts on Costs

Climate – 90 percent of natural disasters are water-related, while the remaining ten percent will also have an impact on the hydrological cycle. For example, bush fires impact water quality through the generation of soot and ash, use of firefighting chemicals, and degradation of the catchment. There are numerous critical SEQ water assets that are located within at-risk bushfire areas.

Modelling indicates a more variable climate future. For example, SEQ will experience more heavy rain events (as seen in 2022) as well as prolonged drought periods, and significant storms (including cyclones) will continue to track south along Queensland's coast. Opportunities to capture and utilise these high-rainfall periods must be investigated and funded; as must mitigation strategies for the damage they cause to critical water infrastructure.

Both new and existing infrastructure must now account for climate mitigation and climate adaptation. A recent position paper from the Queensland Competition Authority (QCA) and the associated submissions[6], highlighted the complexity of costing for climate adaptation, particularly for regulated businesses.

Feedback

qldwater welcomes the intent of *Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023* introduced by Michael Berkman MP, Member for Maiwar. We support full autonomy for local governments and other urban water service providers to charge developers for both new and upgraded trunk (urban water) infrastructure according to the cost of delivering that infrastructure. Under the current arrangements, existing rate payers and councils (mostly through debt) are subsiding new development and developers.

Since the regulatory amendments in 2011, the Queensland Government has failed to update the maximum adopted charge (MAC) regularly to enable full cost recovery of trunk infrastructure for Councils and other Water Service providers. The MAC needs to be raised immediately to appropriate levels commensurate with the real costs of new infrastructure (regardless of the type of infrastructure – new Priority Development Areas or infill developments). A suitable escalator for the MAC (and other charges) then needs to be decided and applied annually and transparently.

While the full removal of the MAC provides an option for eliminating the artificial cap that currently inhibits recovery of costs for growth infrastructure, this solution does not provide a long-term sustainable mechanism for resolving the difficult trade-offs between rapidly rising costs for infrastructure across councils, utilities and the developer sector.

[6] Queensland Competition Authority. Climate Change Expenditure Review 2022-2023. https://www.qca.org.au/project/climate-change-expenditure/climate-change-expenditure-review-2022-23/

Please do not hesitate to contact me [redacted]) if you have any questions.

Yours sincerely

[redacted]

Dr Georgina Davis
Chief Executive Officer