



Speech by

HOWARD HOBBS

MEMBER FOR WARREGO

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SOUTH EAST QUEENSLAND WATER BOARD (REFORM FACILITATION) BILL

Mr HOBBS (Warrego—NPA) (10.40 a.m.): As the shadow Minister said, the Opposition will be supporting the South-East Queensland Water Board (Reform Facilitation) Bill. I will take this opportunity to run members through some of the processes that were undertaken in order to bring us to this situation. Because of various intergovernmental agreements—I refer to such things as COAG reforms and the National Competition Policy—the Government was obliged to undertake a public benefit test in order to assess whether the South-east Queensland Water Board was the proper authority to manage south-east Queensland's water resources. I was Minister when this exercise occurred.

The Government had no choice but to go down that path because of Federal Government rulings. We undertook that test in good faith. The result was that it was agreed that a commercialised process should be put in place. We started negotiating along those lines.

The South-East Queensland Water Board is a \$400m asset company which has been very successful. I believe it has a debt of some \$40m at the moment. The board has a return on capital of about 4%. The price of water for south-east Queensland users has decreased in real terms since 1991. Water costs some \$110 a megalitre at the present time. I believe the decrease in cost was of the order of about 1.92% per year. The board has been a very efficient organisation.

The Government undertook this review. However, as time goes by we must ask ourselves whether we are heading in the right direction. We now have a corporatised company. Since 1985, the councils have had a justifiable beef about the way in which the Government took over the North Pine Dam and Somerset Dam. The councils put a lot of funding into those dams and the Government virtually took them over. That matter had never been resolved. This was an opportunity for the councils to resolve some of those outstanding issues. The councils wanted to ensure that they had a hand in the management of any future board that was established.

Honourable members need to be aware of just how this board will operate. We must not forget that the National Competition Policy is about making sure that the consumer is better off because of more competition. As the shadow Minister said, the Brisbane City Council will own 45% of the corporation, the other 11 councils will own 35% and the State Government will own 20%. There will be a net asset draw-down of about \$345m and that will be transferred across.

The councils want to put forward the best scenario possible in relation to future management. Because Federal taxpayers need to have the best possible model, it has been suggested that the group borrow \$276m. The money will be borrowed and there will be a consequential distribution of funds to the various councils. However, that money has to be paid back. There are no tied funding arrangements. The money can be used by the various shires in any way that they see fit. It is my hope—and I am sure it is also the hope of the Government—that that money will be used in the provision of water infrastructure. Even though the shires own a portion of the assets, it is appropriate that the money that they receive is put into water. This will obviate any increased charges for water being passed on to consumers.

Because it is a corporatised board it has to make a profit. The well established figure is 7%. I have spoken to a few of the councillors and other people involved with the board and they have said, "It might not necessarily be 7%; it might be 5%." The reality is that it is supposed to be at least 7%.

We are left with a corporatised board which previously had very limited debts but now has a debt of \$276m. The board has to make a profit of 7%. One does not have to be Einstein to understand that the cost of water will increase. One asks why we are doing this. I do not blame the councils or the Government for this situation because we were pushed into it by the Federal Government. I question the necessity of similar organisations going down the same track.

I wish the councils well with their funding, but we need to ensure that the benefits flow to the consumers. I am not sure whether that is going to happen. The projections are that the price of water will increase from \$110 a megalitre to \$121 a megalitre. Under the commercialised project that was proposed when I was Minister, water was going to cost \$131 a megalitre within a period of 10 years. That represents an increase of 1.5% per year.

The corporation will receive benefits because it will be able to write off depreciation against tax. Councils are very keen on receiving dividends. We would hope that, as a result of receiving those dividends, the councils would be able to keep down the price of water. It is possible that in a very dry period a council in an area such as the Sunshine Coast may require extra water. I am sure that extra water would be provided—no doubt at a premium. It is vital that water is provided to people who find themselves in difficulties.

The Opposition supports the Bill quite strongly because a lot of negotiation and hard work has been put into it and, through it, the councils will receive a great benefit. For instance, the Brisbane City Council will get about \$120m out of this. The percentage of ownership of the other councils varies from about 0.5% to 8%, 10% and 12%. Huge amounts of money will go back to those local authorities, which they can use however they wish. However, I reiterate that I believe that it is very, very important that those councils use that funding in the spirit in which it is given, and that is that they put the money back into water infrastructure for their shires so that they can keep down the price of water.

We really need an assurance from the Minister that the price of water will not go up. I know that the Queensland Competition Authority monitors the price structures of monopolies. The councils could argue very easily that the water infrastructure is their structure and, therefore, the price for water will go up in due course. However, that does not mean to say that the provision of water cannot be handled more efficiently in some other way through a different structure altogether. So we really want some assurances from the Minister that the price to the consumer will not go up—if there is any way that he can do that—and that the funding to those shire councils should go back into water infrastructure.

That sums up the Opposition's point of view pretty well. We support the legislation before the House and look forward to hearing the Minister's comments.
