



Speech by

Hon. R. WELFORD

MEMBER FOR EVERTON

Hansard 25 August 1999

SOUTH EAST QUEENSLAND WATER BOARD (REFORM FACILITATION) BILL

Hon. R. J. WELFORD (Everton—ALP) (Minister for Environment and Heritage and Minister for Natural Resources) (11.51 a.m.): I move—

"That the Bill be now read a second time."

This Bill is designed to establish a process which enables the South East Queensland Water Board, subject to ministerial powers of direction, to transfer its business to a company incorporated under the Corporations Law. The company will be wholly owned by the State in conjunction with local governments.

Upon completion of the transfer, certain transitional amendments to the Water Resources Act 1989 will come into force. These amendments will apply some regulatory controls over the company that are currently found in the South East Queensland Water Board Act 1979. After transfer, the board will be wound up and the South East Queensland Water Board Act 1979 repealed.

The South East Queensland Water Board is presently established under provisions of the South East Queensland Water Board Act 1979. Under this current institutional structure, the board is a statutory authority that supplies untreated water to local governments and electricity generating authorities. The board also provides flood mitigation services to the Brisbane Valley.

Although the South East Queensland Water Board was established by the State, its board of control is predominantly made up of members from local government councils who direct operations. However, as a statutory authority, the State remains legally responsible for the activities without control over the board's operations.

This structure does not adequately reflect the risks and responsibilities associated with the entity's commercial and strategic operations; nor is it the best structure for the business into the future, particularly at a time when significant changes are occurring within the water supply industry in Queensland.

Both the State and local governments believe the present institutional structure is not appropriate for this new environment. This Bill facilitates a change to a structure where legal responsibility and operational control are aligned with risk. The strategic significance of the board and its assets is reflected in the size of the population it services and the value of its assets. The South East Queensland Water Board supplies 12 local government customer councils, which in turn distribute treated water to almost half the State's population. Since it was established, the board has assumed control over approximately \$400m of publicly owned assets. Among these assets are the Wivenhoe, Somerset and North Pine Dams.

Complex arrangements of legal responsibility and control have characterised the south-east Queensland bulk water supply system over the past 90 years. On several occasions, the business has been a State responsibility, while on others it has been owned and controlled by councils. On many occasions, tensions and divisions accompanied these changes in responsibility. One of the unique aspects of this Bill is that it has the support of the State and local governments.

The proposed joint State/local government ownership of an incorporated South East Queensland Water Board is a natural extension of the current model between the two levels of government for the management of these south-east Queensland bulk water assets. The proposal

maintains public ownership of these assets, while focusing that ownership with those governments in whose localities the resources are located and used. Shared ownership between the State and local governments more properly allocates the risks and responsibilities of these resources between these bodies.

I want to emphasise that this corporate structure is unique to these particular circumstances and does not set a precedent for other assets currently under the legal responsibility of the State Government. The South East Queensland Water Board is to be transferred from a statutory authority into a joint State/local government owned company incorporated under the Corporations Law.

The new entity will have three shareholders, namely:

Shares

- the Queensland Government—20%
- the Brisbane City Council—45%
- the other 11 local government South East Queensland Water Board customers— 35%

Establishing an incorporated company means that the new entity will be granted an unambiguous commercial mandate. Its new structure will remove a number of legislative and administrative restrictions to enable the new entity to improve its performance over the longer term.

This will also fully satisfy our obligations under the National Competition Policy. More importantly, it means that dividends from the improved performance will return to the owners of the assets—that is, the State and local governments. This Bill ensures sufficient powers are given to the board for it to enter into a transfer contract with the new company. At the same time, the Bill is intended to ensure that the actions of the board remain subject to ministerial power of direction and operate in accordance with the directions of the Queensland Government while negotiations take place.

This condition is necessary because the Government will continue to have legal responsibility for the board's actions and it will need to protect its interest during this critical time. The Bill thereby ensures that appropriate public accountability mechanisms remain in place throughout the process of incorporation.

Further, it will be required that satisfactory resolution of certain tax issues occur before the transfer proceeds. This requirement is necessary for both the State and local governments as future shareholders, and the new company. Once the transfer of the business to the company is complete, the other parts of the Bill that deal with regulatory controls over the company come into force.

Principally, these relate to flood mitigation operation procedures, and a power for the State to make regulations governing land use in the catchment. Both these provisions exist in the current Act, albeit in a slightly different form. It is worth noting, however, that the powers over land use in the current Act have never been used and that land use decisions in the catchment that may affect water quality have in the past been dealt with on a cooperative basis between the board and the councils. Ultimately, the company will be subject to new regulatory controls for the water industry that are being developed by the Government.

I commend the Bill to the House.
