Speech by

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

Dr FLEGG (Moggill—Lib) (12.34 pm): My remarks will predominantly centre on the South East Queensland Water (Restructuring) Bill. Let me say at the outset that the haste with which this bill has been brought to the House is only exceeded by the haste of the government in seizing ratepayer funded water assets. The briefing for this bill is to take place at lunchtime today. To the minister I would say, 'Thanks for nothing.' This is an important bill that deserves proper process and deserves proper consideration. To have raced it on with very little—

Mr FRASER: I rise to a point of order Madam Deputy Speaker. I draw the Leader of the Liberal Party's attention to the standing orders. This bill has laid upon the table of the House in accordance with the standing orders of this parliament.

Madam DEPUTY SPEAKER (Ms van Litsenburg): There is no point of order.

Dr FLEGG: The briefing has not yet taken place. It is in the best interests of Queenslanders that these matters are debated in a fully informed and thoroughly thought out manner. This does not fit those criteria.

This bill is about seizing assets funded by ratepayers over many many years. It has been the subject of extensive public debate. It has been the subject of some considerable passion. In the course of the debate on this issue we heard the Premier of this state in this chamber call one of south-east Queensland's most respected leaders a liar. Then today we find out why. The Premier today said, 'Name calling is the last refuge of those with nothing else to offer the people of Queensland.'

This is a very serious issue before the parliament today. It is a bill that would create what has been referred to as a public conglomerate, a huge public enterprise that will not add one drop of water to south-east Queensland's dams. It is an enterprise that we have already seen involved in the dramatic escalation in the cost of water. On the basis of everything seen and heard in this state to date, it is a measure that will have the further effect of forcing up rates for property owners, particularly in south-east Queensland, as these assets and their cash flows are seized away from the ratepayers who funded them in the first place. In fact, what we are seeing here is a government that needs a quick grab for assets and a quick grab for cheap assets and the cash flows that go with those.

This bill would create four structures. It would create a bulk water agency. It would create a water transport agency. It would create an agency for manufactured water of the type that comes from desalination and recycling. It would create a water grid manager. This whole debate has been conducted somewhat disgracefully. It has amounted to little more than Labor Party bullying of local authorities and their ratepayers with the unilateral use of legislative force, in this case, to confiscate assets without any suggestion of a fair compensation scheme being put in place. That is why it has become known as the great water asset swindle.

This Labor government has form on throwing the idea of a fair go out the back door. It is trying to rip off local governments and has the audacity to complain when councils make it public. This is a government

that does not like criticism, does not believe that we should have open public debate and does not like it if the councils raise the issues that are going to impact their ratepayers. We saw it with amalgamations; we are seeing it here again with the seizure of council water assets. The state Labor government's political huff and puff is really outright hypocrisy. We are again seeing a cold, calculating and heartless approach to dealing with not just local government but also the ratepayers who have funded these assets.

I draw the attention of the House at this early stage of my contribution to this debate to a couple of sections of the South East Queensland Water (Restructuring) Bill. Clause 46 of the bill essentially allows the responsible minister to direct the formation of the operational plan to the board. In other words, the minister will have power over the commercial operations of the entity. There is no suggestion here of some sort of corporatised, independent government GOC. Rather, this is an extension of the minister's power in terms of the trading operations of these entities. If one reads further on in the bill one will see that it gets worse. Clause 51(c)(iii) states—

A new water entity's operational plan for a financial year must include—

…

(iii) an outline of the borrowings made or proposed to be made by the entity;

So the minister will be dictating the operational plan to the board and the operational plan outlines the borrowings. This should cause grave concern to water users in this state. I think this is a very disturbing piece of legislation which does not have the support of the opposition.

The track record of debt in these sorts of government owned businesses is in fact of this government gearing them up to the hilt, stacking them to the gills with debt to levels that are commercially unreasonable and even dangerous. I table for the benefit of the House a graph of the debt ratios of the GOCs of this government compared to those of other states, because it is very telling.

Tabled paper: Copy of a graph titled 'borrowing to asset ratio in government trading enterprises'.

The other states gear up their public utilities somewhere between about 10 per cent and 30 per cent of the assets held in those public utilities. But not here in Queensland. The government businesses in this state are the repositories for the massive, growing billions of dollars of debt that this government never wants to talk about and at every budget disguises in terminology and with smoke and mirrors, because here in Queensland the gearing in government businesses and utilities, according to the last budget papers, is projected to go to over 50 per cent—that is, borrowing 50 per cent debt to assets. No other state comes anywhere near it.

We see in this one graph the reason this government is making an unseemly dash to snatch cheap assets and their cash flows—that is, the deteriorating balance sheet of the government sector. There is over 50 per cent gearing in GOCs in this state. The government is seizing these assets not to do with water, not to do with efficiency, not to do with drought; it is seizing them to get the cash flows because its GOCs are groaning under the strain of this enormous amount of debt.

I would cast grave doubt over the government's timing in this ill-conceived and ill-advised adventure. In April a report was done by PricewaterhouseCoopers, a leading and respected major accountancy firm in Queensland and internationally. It had a look at a whole range of things, and I will come back to a number of things that it put in its report. But its report makes it very clear that this measure is in fact not aimed at being a drought-response measure. This has nothing to do with responding to the drought. It is not aimed at delivering any extra water at all. It is a business rearrangement—a snatch for assets, if you like—and PricewaterhouseCoopers details in its report a range of risks. The risks are substantial and are very real. Any reading of this high-powered report will leave the reader in no doubt that this is ill advised at this point in time, while there is a drought in this state.

I turn now to the pages following page 134 of the PricewaterhouseCoopers report. I will not read them all, because the PricewaterhouseCoopers report has many pages on the risks of the current government strategy. But among those risks it identified on page 136 the risk of incomplete identification of assets. That is risk No. 1. This risk concerns inadequacies in identifying all of the assets related to water and waste water business activities of the councils, potentially leading to failure to transfer necessary assets and inaccurate valuations for the transfer of council assets and businesses. The government seems to be quite happy to have inaccurate valuations but it was warned about this by PricewaterhouseCoopers. The report also identifies the disruption to service provision of business activities. That is only risk No. 1. One has to ask why the government would be taking this list of risks at this time, when we are beset with the worst drought in a century and water storage is down at the level it is.

The second risk identified by PricewaterhouseCoopers was incomplete assessment of asset condition. This risk concerns inadequacies in the assessment of the condition of assets related to water and waste water businesses and activities of the councils, potentially leading to inaccurate valuations for the transfer of assets, inadequate maintenance or replacement programs and suboptimal service standards. Make no mistake: this is saying that the risk of an accident with our water supplies will be increased by this measure. On that second risk, PricewaterhouseCoopers says that there is a relatively

high probability of this risk occurring—a relatively high probability of this risk occurring—yet the government is so desperate for cash it is prepared to take any risk with water safety or the water supply in this state.

The next risk identified by PricewaterhouseCoopers relates to the incomplete identification of legal requirements. That is outlined on page 138. This risk consists of inadequacies in the identification of all legal arrangements including contracts, licences, approvals, leases and easements. There is a moderate probability of this risk occurring. The potential in this risk is to have a state of absolute confusion.

The next risk listed by PricewaterhouseCoopers—and this is the one that the government should have listened to; it pays these experts to produce the reports and then completely and utterly ignores them—relates to the disruption of drought-response projects. Indeed, here is the truth about this bill. It is not a drought-response measure. It does not deliver any water, and the government was warned by PricewaterhouseCoopers in April 2007 that this carried a risk of disrupting south-east Queensland's drought-response program. The risk is focused on delays to the delivery of drought-response projects arising from this transaction, and the report then goes on to list the key elements of this risk. The report states in relation to this risk of disrupting the drought-response project—

There is a moderate probability of this risk occurring—

Not a low probability or a mild probability; a moderate probability that reorganising the business arrangements that deliver water carried a moderate risk of disrupting our drought response projects compared to leaving them under the present ownership and governance arrangements.

A key driver of this assessment is the understanding that key staff for the drought response projects are also council staff most likely to be required to facilitate an effective transfer of assets and businesses to a single water service provider. The report spells out in black and white that the same staff who are doing the drought response work will also be required to do one of the biggest business rejigs of a major, multibillion-dollar business ever seen in this state, and that carries with it a moderate risk of impairing our ability to respond to drought.

I can see the minister playing with his mobile phone. Just in case he is making a note to say that not all of the recommendations of the PricewaterhouseCoopers report were adopted, I accept that. I understand that some of the retail and distribution measures did not ultimately come across into this legislation. But this report is about the principle of doing a major rejig in the middle of a drought crisis. All of these warnings apply 100 per cent to the measures that the government has put before the parliament today.

The report goes on to state in relation to drought response—

If drought response projects are included in the broader consolidation exercise, irrespective of their state of development, the probability of disruption to these projects increases to high.

So the probability of disrupting Queensland's drought response projects in a setting of a major business reorganisation such as this rises to high. Talk about ignoring the warnings of experts! This is an absolute indictment on this government's seizure of assets from councils. The report goes on to state further in relation to drought response projects—

The primary risk management strategy for this risk involves leaving drought response projects out of the transaction, at least until each project is completed. Second, is a commitment to maintaining adequate resourcing and financing of the drought response projects as a priority over the requirements and timeframes of this transaction (e.g. key staff commit time to the drought response projects in priority to this transaction).

If the government places the key staff undertaking the drought response projects on to this massive reorganisation—this possibly six to eight, maybe $10 billion reorganisation if we include desalination plants and recycling water—we increase all of the other risks associated with doing this project at this time, because the key staff are working on drought response projects. The bottom line of what the experts warned the minister about in this report is, 'Don't do it. Do not do this major reorganisation during a period of drought crisis.' But the government's need to grab the cash is so great that it cannot wait to do this until after the drought ends.

The PricewaterhouseCoopers report goes on to list more risks that this government has ignored, such as the risk of underinvestment by councils in their business. It acknowledges that once the government declares that it is going to seize their assets, there is a risk of investment dropping off. That is pretty understandable. The government has been warned about that.

The warning in the report is, perhaps above all, the one that this government does not want to hear and wants to ignore completely. The members opposite should cop this one—

Insufficient council compensation.

This is a warning from PricewaterhouseCoopers. This risk concerns situations where compensation paid to councils is less than the market or fair value of the businesses and/or where compensation received by the councils is invested or expended in a manner which is inconsistent with its character as a replacement of future recurrent cash receipts. The PricewaterhouseCoopers report acknowledged the importance of the cash flow from these assets to the ratepayers of south-east Queensland.

Government members interjected.

Dr FLEGG: The report sets out the key potential consequences of this risk. The members opposite can read it instead of yelling out nonsense. They should go to page 140 of the report where it states that the key potential consequences of this risk include a reduction in council financial capacity. What have we been talking about in here for weeks now? The report also includes as a consequence a reduction in council services and staff—a loss of jobs. The members opposite have been warned. The report also includes as a consequence a reduction in council viability.

We have heard all the nonsense about amalgamations making councils stronger. The government has already been warned that seizing councils' revenue-producing assets will reduce council viability. The report states further—

The probability of this risk occurring depends to a large degree on the compensation policies adopted by the state—

or the water service provider. We all know what the compensation policy is: to pay way below the value and, as this government has done, refuse at every turn to accept any sort of independent valuation of these assets. There is no way in the world that this government intends to pay fair market price or fair valuation for these assets.

The report goes on to state—

A secondary driver of probability is likely to be the relative sophistication of each council.

In other words, some councils and their ratepayers will be more vulnerable to the seizure of their assets than others. The report then goes on to give more warnings. The next warning in the risk category is probably the one that people in the street would fear the most, and that is the disruption to physical services. The report states that this transaction could endanger the supply of water in Queensland. Whilst the report states that the risk is expected to be relatively low, the potential consequences in terms of public health and safety or the public image of the water service provider may be substantial. This is a very strongly worded warning about the continuation of supply of water and the safety of that water if the government conducts a rejig in this manner.

The report contains a very telling list of warnings that goes for pages. The next warning is a disruption to customer service. The report states that that risk item is focused on disruption to customer management and services other than physical and waste water services, including connections and billings. Customers have been warned, but the government has taken no notice that customers could be in for a rough time throughout this rejigging process.

The next warning that is delivered by this report is that the new requirements may prove to be inefficient. I think this is a very telling warning, because the government has been ramming down everybody's throats that one big water agency is more efficient than multiple water agencies. But the warning on page 142 of the report is in black and white, and that is that water is supplied locally at many different sites around the state and consolidating them into a single water service provider carries the risk that the provision of those services at those sites will become inefficient. The report provides a range of options. It states that the single water service provider—

will be structured to provide water and wastewater services across a wide geographical area, including various local government regions experiencing growth of different levels and characteristics. As an example, while growth in the Brisbane City Council region is largely of an 'in-fill' nature, growth in surrounding local government regions (e.g. Ipswich) involves significant expansion of the service areas.

The report contains a warning that one big service provider may not be as effective in dealing with all the different and varying needs across rapidly growing south-east Queensland as local authorities with local knowledge have been. This report undermines the whole argument for a consolidation of entities by stating—

The probability of this risk occurring is expected to be moderate to high.

Mr Wallace interjected.

Dr FLEGG: I hear the minister for water making an inane interjection. But he was warned. This undermines his whole argument that this structure is somehow is going to deliver water better. The report states further—

No structure is likely to optimise the efficiency of all aspects of a business.

The warnings in this report just keep coming, and they have all been ignored. The next warning is one of inefficient interfaces between a single water service provider and residual council functions. This report acknowledges the very scenario that the government has chosen: to leave distribution and retail as residual council functions. It goes on to state—

This risk primarily concerns the residual development planning and management functions of councils, and the need to integrate these activities efficiently with development planning activities of the single—

water service provider. The report goes on to expand on that risk by referring to the issue that so many councils have different systems that are going to be expected to interface with a single system. The warnings in the report continue.

Sitting suspended from 1.00 pm to 2.30 pm.

Mr DEPUTY SPEAKER (Mr Moorhead): Order! I acknowledge in the gallery today students, teachers and parents from Crows Nest State School in the electorate of Darling Downs, represented in this House by Mr Ray Hopper.

Dr FLEGG (Moggill—Lib) (2.31 pm): At the outset I note that I have now had the benefit of a briefing on this bill but that does not change any of the comments that I made earlier. Before the lunch adjournment I raised a series of risks as detailed by PricewaterhouseCoopers. This is central to issues contained in the bill. I will complete the list of risks that I have referred to.

The next risk on that list was public resistance to new structures. Page 144 details at length the risk that parts of this setup may be unacceptable to the public and further changes may be dictated by that. The next risk listed is that of data migration. PricewaterhouseCoopers states—

This risk is the greatest unknown in the consolidation of the data sources.

Initially there will be a significant reliance on each of the councils to identify the location of relevant data, the configuration of the data and sources and an overview of its use...

It goes on to speak about this risk in considerable detail. This risk ought not to be underestimated. It is a serious risk. Amalgamating a couple of dozen different data systems in an attempt to make one entity carries with it a significant risk in relation to that data and the efficient functioning of that water entity.

The next risk identified was that of data quality. PricewaterhouseCoopers states—

The chief risk in data migration is the data quality. The risk is not only that there may be poor data but that it will be used. There will be significant discrepancies across Councils in respect to the quality and integrity of the data required to be migrated.

We are looking at a huge task in merging this $10 billion-plus public conglomerate.

The next risk relates to the separation of shared systems. The next and very significant risk relates to culture. The report states—

The key risk from a human capital perceptive is that of culture loss. Councils of a smaller size were particularly concerned about a change in their culture. They feel proud of their significant customer service focus within their communities and feel this has the potential to be lost in a merger to a much larger organisation.

Certainly there is plenty of precedent where smaller organisations have merged into large conglomerates and have lost their customer focus. That is a detailed list of the risks that the government is taking in executing this massive reorganisation of water assets in the state.

The Scrutiny of Legislation Committee raised quite significant issues in its *Alert Digest*. At this point I will say a few words in relation to the board structure. Effectively in terms of the boards of the four entities, this bill creates what used to be referred to as a quango. Each board has up to five members appointed by the minister. We have some grave concerns in relation to this. Firstly, clause 19(4) states that the minister may at any time sack any member of the board 'for any reason or none'. Rightly, the *Alert Digest* draws attention to the fact that this breaches fundamental principles. It is quite instructive that we have a Labor government that makes a lot of noise about the fairness of dismissal and so forth in the private sector, but when it draws up its own legislation it carries this enormously oppressive regulatory burden that allows the minister not only to remove anybody he does not like at any time he wants for any reason but also to remove them even if he does not have a reason.

This creates a situation of enormous inequity between the responsible ministers and the board. One does not have to go too far to see the seriousness of this inequity. The responsibilities of the ministers are not clearly defined in the act. Perhaps the minister can clarify this point in his summing-up. I understand that the Treasurer will be a responsible minister and there will be one other, but it is unclear whether that will be the minister for water, the minister for infrastructure or possibly the Premier. Even though the legislation has been introduced for debate into the parliament, still we are not sure who is going to be responsible for administering it.

The legislation specifically gives the minister the power to direct dividends. The board can recommend a dividend, but the minister has express powers to direct a dividend in a setting where he also has the power to appoint all the board members with no indication of the background of those members. That is one reason I would refer to this as a quango. The legislation gives no direction that members of the board should have particular expertise. There is no direction that one member should be an engineer, one member should be an accountant or that one member should have some local government background. There is no indication that one member should have a water background. It is simply an appointment by the minister. We have genuine concerns about that and ask for further clarity on the appointment of these board members.

Because of the very nature of its setting up, the board will be weak and beholden to the minister. The minister will effectively control all decisions of the board. The board will produce a strategic plan and the legislation requires that that be done by agreement between the board and the ministers. However, there can be no agreement in the normal sense when there is such enormous inequality as the board is appointed by the minister, can be summarily dismissed without reason by the minister and is subject to direction by the minister. I think it is fair to say that the strategic plan will, in effect, be the minister's

strategic plan. We have particular concerns that the strategic plan will deal with issues such as debt because, as I explained earlier, this government has a very poor track record in relation to debt. Clearly there will be an enormous temptation—and I suggest a temptation beyond what the minister could refuse—to house additional debt in these water assets.

If in a couple of years we come back and have a look at these assets in state government ownership and compare the level of debt to that which is detailed in the PricewaterhouseCoopers report for the assets currently in council ownership, I have no doubt that we will see those assets heavily geared up way above the level they are currently geared up by the councils. I also have absolutely no doubt who will be paying for that level of borrowings for those assets, and that will be the people who use water in this state. The government claimed that this had to be done to simplify this allegedly complex system. PricewaterhouseCoopers has indicated that simplifying this system may be a negative, not a positive.

I want to flag a significant issue and I would be interested in the minister's comments on this—that is, councils are to be left holding distribution assets while bulk assets are to go into the new state government owned entities. I do not believe it is in the legislation, but I understand the difference between a bulk water supply facility and a distribution facility is the diameter of the pipe. It has been suggested to me—and I look forward to comments on this—that if the pipe is over six inches in diameter that is part of the bulk water supply system and belongs to the state, but if it is below six inches in diameter then it is part of the distribution system and is operated by council controlled entities. The question is: if a water pipe bursts in front of your home, who do you call? There is the potential here for a major demarcation issue.

Everybody in this chamber I am sure would have had the experience of calling someone about a computer and having the software people say that it is a hardware problem and the hardware people say that it is a software problem. People are going to be confronted with this scenario in relation to water. When you ring up about your burst pipes, I can hear the call centre operator asking, 'Is the pipe more than six inches or less than six inches in diameter?' Clearly this is not an easy situation for people to understand. It will not necessarily lead to a simpler system of delivering water than what we have had previously.

I note that the legislation sets up four statutory bodies. These are not GOCs; they are not governed by the normal corporate governance that would apply to a GOC. They are not governed by the ASIC type governance but rather state government instruments that cover statutory bodies. Given the debates that we have had in this House in recent days about structures becoming GOCs and corporatised, it is interesting that that was not the route chosen by the government in this case. I understand that that decision was in all or in part based on a desire to avoid the provisions of WorkChoices that might apply if it is set up as a government owned corporation. I think there is a natural area of concern if the government is structuring one of the largest businesses in Queensland in that way—and make no mistake: this will be one of the largest businesses in Queensland, with billions of dollars of water manufacturing assets, billions of dollars of bulk water assets, going into a public conglomerate with probably in excess of $10 billion worth of assets. We are structuring it simply because of political considerations by the government.

The other issue that I observed in the bill is that within the four statutory bodies being set up here we have contained a previous commitment by the Premier when she was Treasurer to supply funding to these assets at non-commercial rates, to apply funding at discount rates compared to other businesses. The argument is that by doing so she seeks to reduce the burden of water price increases, but nowhere in this bill is there any reference to that preferential funding. Considerable confusion surrounds that funding. I hope the minister will seek to clarify some of that confusion, although I highly doubt that he will. I think water policy in this state should at least allow the government to dictate the exact amount of funding that is being advanced under these preferential conditions, how they are going to be accounted for and obviously why it is not enshrined in legislation. The Premier likes to talk about core promises and non-core promises. This is a non-legislated promise. It seems to me to open the door for the Premier to back away to some degree from that commitment. The strategic plan is not contained within any of the papers being presented to parliament. It is unknown to us at this stage whether details of the funding will be contained in that strategic plan. I understand that it will be a public document but that such instruments are not subject to disallowance here in the parliament.

A number of other measures are contained within the bill. One relates to changes to QSuper arrangements. I note in particular the reasons that were given for staff changes and the like. In May 2007 the Queensland Water Commission's publication *our water: urban water supply arrangements in South East Queensland* at section 3.4 'Scope for Competition in the Structural Model' on page 37 headed 'Government superannuation funds' noted—

It will also be possible for the form of government ownership interest in the assets to be varied over time. For instance, public sector superannuation funds may view equity participation in some assets or entities as attractive investments.

Here we have the Water Commission foreshadowing further changes in the ownership of these assets. I look forward to the minister trying to worm out of that one. There seems little doubt that that is meant to be a foreshadowing of further changes to the entry of investment—in this case from superannuation funds but possibly from elsewhere—in the ownership structure. The minister should clarify this matter for us in his summing-up.

I also note an article in the *Courier-Mail* on 25 October that talked about council rates for homeowners in south-east Queensland skyrocketing. I remind the minister and the House that this is a zero sum gain. When you strip assets and income from councils and transfer them to the state government, you are not creating any wealth—you are not creating any additional value within those stripped assets. You are simply taking income out of one part of the public sector—namely, the local government sector—and pumping it into the state government sector. The end result will be that the income in the local government sector will have to be replaced from elsewhere.

There is an amendment which has been circulated in my name which I will be moving in the consideration in detail stage. In relation to all of the comments that I have made about compensation to councils and the cost to ratepayers, it is clear—and it is clear from PricewaterhouseCoopers—that adequate, fair market valuation of these assets must be compensated to councils at a level that would approximately or completely replace lost revenues. In the amendment that I have circulated, we have indicated that this seizure of assets should not take place and that there should not be any transfer of assets until such time as an agreement exists between the government and the current owners of those assets: local government representing their ratepayers.

I think the issues surrounding the appointment of board members should raise some fundamental concerns, because what we are effectively seeing here is not only a snatch of assets and their associated income flows but also a grab for power. These assets, their operation, their strategic plan, their debt levels and their dividend levels are all, in effect, at the direction of the minister. The power of boards is very, very limited indeed and there is certainly a high level of inequality between the powers of the minister and the powers of members of the board. Obviously appointees to the board are going to have to consider very carefully the relative position that the board will hold compared to the powers that the minister will have over them.

Some of the salient features of creating a public conglomerate—in this case, in excess of $10 billion worth of public conglomerate—include water entity boards appointed by the shareholding ministers. Responsible ministers may at any time end the appointment of a water entity board member for any reason or for no reason. That is clause 19(4). We have noted already that this infringes fundamental legislative principles and strikes me as having a rather hypocritical tone, given many of the other statements that we hear in this place.

Senior executives of a new water entity can be appointed by the board with prior written approval of the responsible minister. The board can ask the responsible ministers to delete commercially sensitive matters from annual reports. The board and entity must comply with strategic and operational plans of the responsible ministers. Those points are contained in clauses 46 to 49. The state government can direct borrowings of the water entity—that is clause 51(c)(iii)—within the operational plan. I have expressed our concerns about that.

New water entities must pay tax equivalents to the responsible ministers for payment into the consolidated fund. The Scrutiny of Legislation Committee points out that using a transfer notice to transfer shares, assets or liabilities between water entities will receive limited parliamentary scrutiny. That is clause 67(1). Again, this does not require regulation and is not subject to disallowance. A transfer notice has effect despite any law or instrument, is believed to fall into the Scrutiny of Legislation Committee definition of a Henry VIII clause—clause 83 also falls into that definition—and persons who act dishonestly or who disclose or use information for the water project are granted immunity. That is clause 87(5). Everybody should be equal before the law and, again, concerns have been raised about this clause.

A member of the Queensland Water Commission can be appointed a member of the board until 30 June 2009. The draft plan of strategy and operations must be produced three months after entity establishment. If not agreed to within one month of submission to the ministers, the ministers can direct that that be the case. No annual return is required for the financial year in which the entity is established. That is clause 102. Prices need to be mutually agreed—chapter 2—under the project. The minister can transfer assets or liabilities of a water entity to another water entity. The minister can give project directions to water entities. The water entity is not liable to pay state taxes in relation to anything done under a transfer or transaction. Decisions are not reviewable. That is clause 84.

The price of changing the ownership from local government to the state government is yet to be agreed. This is a very significant issue, because there is a clearly established serious problem with the minimal compensation being talked about by the government, but the cost of this exercise is enormous. If we look at similar exercises undertaken, particularly in the private sector, we see that it is not only an enormously risky venture but also an enormously expensive venture. It is unbelievable that we should be enacting this legislation without any estimates of the cost of this huge amalgamation of assets. It will be an enormous cost. That cost will not exclusively fall within the new entities. In fact, the cost to councils of dealing with what is required here will be absolutely enormous and will run into tens of millions of dollars, if not more. It really does not bode well for the execution of such a complex arrangement that the government has not been able to produce any detailed costing of what this exercise is going to cost. Nor has it been able to produce any detailed costing of any synergies that it may be claiming exist, nor any

reduction or increase in the price of water. In fact, it has been viewed very cynically as a grab for cash because if it were an efficiency gain we would have a cost-benefit analysis. We would know whether there is a saving or a cost. We would know the cost of the transaction and we would know its impact on the price of water.

The threat of the Queensland Labor government's takeover of local government water assets is scary, particularly given its track record of planning—or perhaps I should say failing to plan—and building infrastructure in the past. It is now resorting to seizing infrastructure that somebody else had the foresight to plan, fund and put in place whilst this government for 10 years was failing to build bulk water assets. It is ironic that among the assets to be seized are bulk water assets—the very area where south-east Queensland has been plunged into crisis because of this government's failure to provide adequate bulk water assets. Then it wants to seize the existing bulk water assets from another level of government.

The balance sheets for the government owned corporations stand in very stark contrast. I draw members' attention to PricewaterhouseCoopers' detail of the council balance sheets which, by and large, are far healthier than the balance sheets of existing state government owned corporations.

I think the other area where the state government has yet again failed to provide any transparency is in relation to the funding of the compensation for these assets. Not only has it not told us what this massive multibillion-dollar rearrangement is going to cost; it has given no indication about the funding. I particularly looked for it in this year's budget papers. Because this will be a debt funded compensation package to councils, I looked to see if that debt is actually budgeted for in the state budget papers. Nowhere could I see even the hopelessly inadequate $2 billion compensation being offered by the government. I do not see that figure in forward estimates, and I would be highly sceptical that that is the final figure that is arrived at.

A *Courier-Mail* article of 25 October about the very real threat of rates in south-east Queensland skyrocketing because of the loss of water revenue states—

Brisbane ratepayers face a hike of $250 a year and Gold Coast residents could be paying $350 more for their local services—

following the loss of these revenue streams. It is not a difficult calculation because the revenue stream being lost along with the water assets is easily quantified. In the case of the Brisbane City Council, it amounts to about $100 million, or about 13.5 per cent of the Brisbane City Council's rate base, unless the matter is dealt with by the government with an increase of 13.5 per cent in Brisbane city rates or an alternative slashing of services or projects.

I note in particular that we stand in this place day after day and hear the state government attacking the federal government about not funding this road or that road. It is certainly an accusation that we cannot level at the Brisbane City Council, which has striven very hard to get major roads of state significance at least built within Brisbane, one of which is Northern Link into which the Brisbane City Council was looking at putting several hundred million dollars. Northern Link, of course, will help to address some of the critical problems that confront residents of the western suburbs of Brisbane every single day, including those residents of the Treasurer's own electorate of Mount Coot-tha.

Clearly, if we strip $400 million over a four-year period out of the Brisbane City Council budget, we imperil those sorts of projects that Campbell Newman and his Trans Apex scheme have been delivering for the people of Brisbane. Residents of Mount Coot-tha and certainly residents of Moggill, Indooroopilly and Mount Ommaney as well as those from Ipswich and further west who are forced to use the disgracefully unacceptable roads for which the state government is responsible in the western suburbs, particularly the Western Freeway, Centenary Highway and Moggill Road, will deliver no thanks to this government if its grab for cash from the Brisbane City Council results in delay or scuttling of that desperately needed facility. Similar concerns are being expressed by the mayor of the Gold Coast.

We could talk at even greater length in relation to this bill, but there are many speakers on the speaking list and I look forward to their contribution. I would like to make it clear in relation to the South East Queensland Water (Restructuring) Bill that we find unacceptable the whole manner in which this has been delivered. We find the seizure of council assets to have been done in an unacceptable way. It is clearly a desperate grab for assets to gear up and cash flows to service debt. The case that this will benefit the people of south-east Queensland has not been made by this government. It will not deliver another drop of water. Nothing has been presented to this parliament or anyone else by this government to suggest that there is any financial benefit to the users of water or to the ratepayers. To the contrary, there is a mountain of evidence that this grab for assets and cash flow will not only fail to produce efficiencies but will end up costing water users even more as they seek to service the associated debt. It is likely to cost ratepayers in south-east Queensland very substantially.

The government has not made a case that there are any benefits in this. It is a smoke-and-mirrors job. The government of the state has always been responsible for the supply of bulk water. It was its failure that saw us with inadequate water storage in south-east Queensland. To then turn around and try to seize assets from the council and create a misleading impression that somehow the councils had this responsibility, which was clearly the state government's, is part of the deception that has been part of this whole exercise. I certainly reinforce the recent concerns that I have detailed at great length in my

contribution today that to do a massive reorganisation of water assets such as this bill provides for contributes absolutely nothing to the drought strategy and results in us risking losing senior staff, having systems that are exposed to risk and risking possibly water supply and certainly water quality. It is unwise of the government. We do not believe the government has made a case for doing this transaction at all. It is certainly unwise to be doing this at the height of a drought crisis.

Time expired.