



Speech by

Hon. PETER BEATTIE

MEMBER FOR BRISBANE CENTRAL

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MINISTERIAL STATEMENT

Water Grid

Hon. PD BEATTIE (Brisbane Central—ALP) (Premier and Minister for Trade) (9.38 am): My government is committed to building the water grid to deliver a secure future water supply to south-east Queensland. We have found ourselves in the state's worst drought in history and it has changed the way we think about water forever.

It has also forced us to rethink how water is managed in Queensland and how we can do things better. In south-east Queensland we currently have 22 bulk water assets owned by 12 different bodies and there are 17 water retailers. In all, there are 25 different water entities—just in south-east Queensland—all with different approaches to managing water.

If members look at the graph of how the model works, they would have to call that spaghetti nation. Some time ago members may recall that there was a similar document that was referred to as noodle nation. That shows how water is managed in the south-east corner. That has to be described as not only bizarre but also inefficient. Indeed, it would have to be described as a shambles in the sense of meeting the water needs of Queenslanders. I table that for the information of the House.

Tabled paper: Diagram titled 'Current Urban Water Arrangements in South East Queensland'.

The delivery of my government's water grid will change that. It will deliver water security to all south-east Queenslanders and it will ensure that we can move supplies from areas with a surplus of water to areas with a shortage. In other words, we are trying, as much as is humanly possible, to drought-proof the south-east corner so that the problems that we have now will not happen again. The existing water management system will not sustain this equitable approach of water sharing. As a result, my government sought independent expert advice on ways we could bring about reform and ensure that south-east Queensland has a water management structure to meet the challenges of the 21st century.

In February, the Queensland Water Commission provided advice to government, and I publicly released that draft report, on how the urban water supply in south-east Queensland should be reorganised to account for my government's water grid. The Queensland Water Commission received 26 submissions in response to that draft. On 13 March, I announced that PricewaterhouseCoopers would undertake a specific asset audit of the water industry in the south-east corner of Queensland, led by Darryl Somerville. Mr Somerville has extensive experience in this type of work, with a distinguished career with PricewaterhouseCoopers. He was also chairman of the Queensland government's review of electricity and service delivery. The information in Somerville's asset report has been used by the Queensland Water Commission in preparing its final recommendations to government. I am pleased to table the report for the information of members today.

Tabled paper: Report by Queensland Water Commission dated May 2007 titled 'Our water, urban water supply arrangements in South East Queensland'.

The Queensland Water Commission is recommending complete reform to south-east Queensland's water delivery services to provide a secure, commonly shared water supply through the grid. This morning,

the Deputy Premier and I briefed caucus about this. We also held a meeting with the mayors of the south-east corner. Water Commissioner Elizabeth Nosworthy and I briefed them. That briefing is still continuing. A briefing was also held with the unions to inform them of the proposed structure.

There is currently a lack of clarity and proper accountability around the ownership of water assets and confusion about the responsibilities of the state versus local government. Under the new streamlined structure just three bulk water providers—state owned statutory authorities—will operate. So there will be three bulk water providers owned by the state. Two of the bulk water providers will own our dams, weirs and other sources of water and these will be based on catchment areas. The first one will encompass all bulk water assets in the Moreton catchment, taking in the Wivenhoe-Somerset dams system and the relevant water treatment and storage facilities in Brisbane, Ipswich and Redlands. The second one will integrate surrounding bulk water assets in the Gold and Sunshine Coast areas, such as the Hinze and Ewen Maddock dams, the Logan area and the Albert and Mary rivers. So they are the first of the two bulk asset companies. The third company will control the manufactured water supply to the grid, and that is the Gold Coast desalination plant and the Western Corridor Recycled Water Project. So as members can see from this graph that I will table shortly, we have a much simpler model. There will be three bulk companies: bulk entity No. 1 and bulk entity No. 2, and a manufactured water entity. They will be the ones that will own the bulk water.

There will also be a separate state owned company that will own all the region's bulk water transport assets, including all major pipelines and reservoirs. That is this bulk transport entity here on the diagram. In addition, a grid manager will be appointed, also as a statutory authority, to control the equitable sharing of water across the region. In other words, water will go where thirsty Queenslanders need it. Members can see the structure here of the water grid. That will provide some sanity, some rationale and some confidence to the management and distribution of water.

I want to make the point that this is not about a full government takeover of water. Councils still have an important role to play at the retail and distribution end. Under the proposal, the councils will jointly own a single distribution entity that will be responsible for the domestic pipe network and pumping stations and they will also jointly own three retail companies. In other words, what is in red on the diagram will be state owned and what is in blue will be council owned. The distribution entity and three retail companies will be owned by the councils. So we will have a much simpler model. That model will deliver water certainty to the south-east corner of Queensland.

Councils will have until November—and I told them this this morning—to put their views to the Queensland Water Commission on the structure of their proposed businesses. Some of these businesses will be up and running by 1 October 2008 and the entire model will have its long-term arrangements in place by 1 July 2009. This morning, there was detailed material from the Queensland Water Commission provided to the mayors. I table a copy of that as well.

Tabled paper: Media information package relating to South East Queensland's urban water supply.

As I said, some of these businesses will be up and running by 1 October 2008. The entire model will have its long-term arrangements in place by 1 July 2009. The Queensland Water Commission recommends a minimum of two years to implement this proposed reform.

I want to be clear about two things. Firstly, this will apply only to the south-east corner of Queensland. Secondly, there will be full and fair compensation for councils. We anticipate that it will be somewhere in the vicinity of \$1 billion to \$2 billion. For most of them, it will mean a significant strengthening of their balance sheet by removing their exposure to market and volume risk at the wholesale level. It will reduce their debt burdens. In some cases it will also provide additional funding for ongoing government capital expenditure requirements. Councils, of course—and I say this again—will be fairly compensated for giving up their bulk water assets when the proper value of those assets is determined. This is a process that will be determined with councils. Both Elizabeth Nosworthy and I said to the councils this morning that we will deal with each one of them on an individual basis. Obviously, the Deputy Premier will pursue that matter with them. We will have to look at a number of issues, including valuation methods, condition of the assets, the current financials associated with the assets and time lines for payments. It will be a fair process.

I want to make the point that it is impossible to state an exact amount until the due diligence process is complete. However, as I said, we expect compensation to be in the vicinity of \$1 billion to \$2 billion. Legally, we are not in a position where we have to provide compensation at all, bearing in mind that most of the water infrastructure was built on the back of state government subsidies anyway. But the facts of the matter are that we are determined to be fair to councils, hence the compensation program that I have outlined.

In terms of a time frame, by November 2007 councils are to submit their proposed retail business models. By October 2008, all state owned entities will be operational. On 1 July 2009, the full system of state owned entities and council owned businesses will be up and running.

The present system of water delivery is unwieldy, cumbersome and long overdue for reform. There is no point having a world-class water grid without matching world-class management arrangements. It makes sense. This model will deliver a properly planned, regionally focused water supply system that clarifies the roles of state and local governments. The duplication is over. It will bring Queensland into line with other Australian mainland states where delivery of water is the responsibility of state governments. Not all councils are doing a bad job, but water should not be restricted by shire boundaries or be a result of some areas being geographically advantaged. South-east Queensland water belongs to all south-east Queensland residents. In the middle of the worst drought on record we have to ensure that water goes to where it is needed.

As I said, this is not about a full government takeover of water. The Deputy Premier, Anna Bligh, and I spent a long time working with the Water Commission because we wanted to ensure that we send a clear message about being fair, about having a model that will advantage Queensland, and I think that is what the Water Commission has recommended.

Councils will still control the domestic distribution system and water retail businesses. But the state government will assume management of the dams, weirs, bulk water pipes and treatment plants to ensure broader, regional and equitable management of this precious commodity. This is certainly an idea broadly consistent with proposed management models put forward by the Queensland Local Government Association and Brisbane's lord mayor. As members may recall, he wrote to me recently, and the Deputy Premier and I have taken on board what he said. As per my commitment, the region's mayors, key stakeholders and unions have all been briefed on this report this morning. The Deputy Premier briefed the caucus at some length. I understand the Queensland Water Commission has offered the Leader of the Opposition a briefing this afternoon.

My government remains committed to principles of job security and workers' entitlements. The overriding objective of this reform is to secure our water supply, and the government will work closely with unions, councils and the new water businesses to ensure minimal disruption to employees. The Queensland Water Commission has presented us with a sensible and fair way forward to improve the management of our water. The government is in general agreement with the recommendations and believes that they should be implemented subject to those matters on which we have sought recommendations from the councils. Clearly, we will now need to work through the proposal in more detail and have further discussions with councils. But make no mistake, the current system is no longer serving us well and it has to go—and go it will. These reforms will help deliver long-term water security to south-east Queensland residents and ensure we never find ourselves in the dire situation we are currently in ever again. I table the Enhanced Water Grid Manager Model that I referred to earlier. I know the Deputy Premier will provide more details shortly.

Tabled paper: Diagram titled 'Enhanced Water Grid Manager Model'.