



Speech by  
**Jeff Seenev**

**MEMBER FOR CALLIDE**

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## **SOUTH-EAST QUEENSLAND (DISTRIBUTION AND RETAIL RESTRUCTURING) AND NATURAL RESOURCES PROVISIONS BILL**

**Mr SEENEV** (Callide—LNP) (7.30 pm): The South-East Queensland (Distribution and Retail Restructuring) and Natural Resources Provisions Bill before the House has had a couple of names during its passage to reach this point. I express the hope that the government has given more thought to the bill than was indicated by the somewhat unusual way in which it will change its title.

The bill seeks to put in place the last piece of the SEQ water reform process. The SEQ water process had its genesis in the water crisis that gripped South-East Queensland during 2005-06. It was a water crisis that was the result of 10 years of inaction by Labor governments. It was a water crisis that can be traced back directly to the decision not to build the Wolffdene Dam by the Goss government when it came to power. It is interesting to look at the people who were central to that—what has turned out to be—disastrous decision. Not only was Wayne Goss directly involved; at the time one of his chief advisers by the name of Kevin Rudd was also very much involved in that decision. It is a decision that already has cost South-East Queensland dearly. As we will see in the information that we will look at tonight in the consideration of this bill, that decision will cost South-East Queenslanders dearly for many, many years to come.

That decision is a good example of what happens when governments make decisions based on political, short-term fixes rather than on factual information. That decision is a good example of what happens when governments govern using spin and media headlines rather than responsible administration. When the Labor government of Wayne Goss decided not to build the Wolffdene Dam, it put in place the foundations of a water crisis that rocked South-East Queensland for a number of years. During that water crisis, the then Beattie government set up an organisation called the Water Commission. The Water Commission had a very chequered history, to say the least. But in May 2007 the Water Commission delivered its final report which outlined the government's plan for the reform of the water business in South-East Queensland. That plan involved the separation of the different components of the industry. That plan involved the formation of bulk supply authorities, a bulk transport authority and a Water Grid Manager. The proposal was also for a distribution entity and three retail entities.

At the time there was an enormous amount of debate about the unsuitability of the model, especially with regard to the distribution entity and the retail entities and how the councils, which had traditionally managed the water business for so many years, could get value for money for the assets that they had built up on behalf of their ratepayers over those years. The legislation that we have in the House tonight puts in place a somewhat different model from that last stage of the water reform process. The bulk supply entities have been established, the bulk transport entities have been established and the Water Grid Manager is in place. This legislation that we are debating tonight puts in place the last stage. It is different from the model that was put forward by the Water Commission in 2007—and so it should be. Tonight the opposition supports that difference. We support that difference because it is a different model that has been developed by the councils involved in South-East Queensland. It is not a perfect model by any

means—it is not something that the councillors involved are totally happy with—but it is certainly a better model than the one that the government adopted from the Water Commission report in 2007.

The legislation puts in place three combined distribution retail entities that will own the water and sewage distribution infrastructure and sell water and sewage disposal services to customers. The distribution infrastructure includes the reticulation, the pipes, the reservoirs, the pumps and all non-bulk transport assets and the sewage treatment plants. The entities will own that vast suite of assets that has been built up by the councils over a long period. They will sell and deliver water to the customers. They will collect sewage and deliver it to the treatment plants and they will treat and dispose of the sewage and purchase treated water from the Water Grid Manager. These entities will be established by 1 July 2010 and the three entities will cover three separate council groups. The first one will cover the Brisbane, Scenic Rim, Ipswich, Somerset and Lockyer Valley local government areas. The second one will cover the Gold Coast, Logan and Redlands council areas. The third one will cover the Sunshine Coast and Moreton Bay areas. They will be the retail entities that will retail water to retail customers, so they will be the ones that will be in most direct contact with the customers.

I think it needs to be recognised at the very beginning that the enormous increases in the price of water that the people of South-East Queensland are facing in the years directly ahead of us will not be the responsibility of those retail entities. The big danger that I see for those retail entities, and for the councils that own them, is that they will get the blame. They will be left with the responsibility for the increases in the price of water that South-East Queenslanders are facing as an inevitable consequence of the government's mismanagement of the water business. As I indicated, that mismanagement began with the refusal of the Goss government to construct the Wolffdene Dam. But that mismanagement has continued and the increases in the cost of water have been made worse by the government's response to the water crisis. The government built the infamous water grid. I say the 'infamous' water grid because, while as a political concept it served the purpose of the Premier and the government of the day, as an engineering reality it has left South-East Queensland with a high-production cost water system and an incredibly high transport cost.

It is simply grossly inefficient to desalinate water at the southern end of the Gold Coast and pump it back to Brisbane. Pumping water is an expensive business at the best of times. Pumping desalinated water, the most expensive form of water, over those sorts of distances to try to solve the immediate problem in Brisbane is always going to result in high costs for that water. The government was left with no choice. Because of the time frames in which it had to operate, it simply had to find a political solution to a problem that was of its own making.

I do not believe that the retail entities that are being formed tonight will not have a very strong pricing power. They will be forced to buy their bulk water from the entities that have already been set up as part of the SEQ water reform. If one looks at the price paths anticipated by the Queensland Water Commission, and made very public on the Queensland Water Commission's website, it is obvious that the water consumers in South-East Queensland will be slugged with massive water price increases in the years ahead, just as they have been slugged with massive electricity price increases for primarily the same reason—that is, the government's mismanagement of the system.

Every time there is a rise in electricity prices the government tries to sheet the responsibility for those price rises home to somebody else. I have no doubt that responsibility for the water prices that are now built into the system because of the government's mismanagement, failure to plan and knee-jerk reaction will be sheeted home to some other entity. They are and they will be the responsibility of the Beattie Labor government and the Bligh Labor government. They are the ones who will be responsible. They are the ones who put South-East Queensland into the water crisis and then sought to solve that crisis by the sort of panicked response that we saw in the construction of the desalination plant, the western corridor pipeline and the wastewater plants.

Members who were in this House will remember that at the height of the water crisis we dealt with an emergency water regulation that required those entities to report on a monthly basis to the parliament. Those reports are still being made by those entities. They do not get the public attention they deserve. The report that relates to the Western Corridor Recycled Water Project is particularly instructive. It shows that the government has so far spent \$2,493 million on the desalination plants at Gibson Island and Luggage Point, plus the western corridor pipeline. It is almost \$2.5 billion. It is an incredible amount of money.

The report also requires them to report their outcomes. One of the outcomes that the government has achieved from that \$2,493 million was reported in August 2009 as 17.26 megalitres of water per day being supplied to Swanbank. It also includes 24 megalitres a day being supplied to Tarong. Tarong can get its water from Boondooma Dam. Boondooma Dam supplies Tarong so it does not need to take the water. It only takes the water because it has to. It is forced by ministerial intervention to take the water. Even if we are generous and include the water that Tarong takes, it is something like 40 megalitres of water per day at a capital cost, not counting the operational costs, of \$2.5 billion.

This is a financial legacy that will cripple the water users of South-East Queensland for generations to come, because that \$2.5 billion worth of capital has to be repaid. As the government is finding out, when those sorts of sums of money are borrowed they have to be repaid. Not only do they have to be repaid, but interest has to be paid on them. The operational costs of this infrastructure have to be repaid.

It did not have to be that way. We raised in this House over a period of time the absurd practices that were part of the panicked response when the government built that water grid. I remember raising in here the concept of 'do it and charge', as the contractors used to call it—'do it and charge'; tender by invoice. That just meant that the contractor did the job and put in his invoice. That was the tender. It did not matter how much it cost. It was just 'do it and charge the government'. We ended up with a \$2.5 billion white elephant that is now a financial millstone around the necks of water consumers in South-East Queensland, and so it will be for generations to come.

I believe that the legislation that we consider tonight will allow the government to distance itself from that financial millstone that it has placed around the necks of South-East Queensland water consumers. The impact of that financial millstone will be reflected in the price that the retail authorities will have to charge the householders and the industrial users in South-East Queensland. The Water Commission's website has a table, which I will table in the House tonight for the benefit of members, that sets out an expected price path for bulk water prices from 2008-09 through to 2017-18.

*Tabled paper:* Table titled 'Bulk Water Prices 2008/2009—2017/2018' [[1225](#)].

*Tabled paper:* Table titled 'Expected Retail Bill increases due to Bulk Charges (for 250 KL/year)' [[1226](#)].

Any projections that far ahead have to be conservative at best. Given this government's ability to project its financial situation, any projections out to 2017-18 would have to be grossly conservative. Let us look at the projections for the next couple of years. In 2007-08 the bulk water price in Brisbane was \$628 a megalitre. In 2008-09 it was \$902 a megalitre—a 30 per cent increase. When we go to 2009-10 it is \$1,162 a megalitre—another 30 per cent increase. In 2010-11 it is \$1,409 a megalitre—a 25 per cent increase following the previous two 30 per cent increases. In 2012-13 it is \$1,864 a megalitre—three times the price it was in 2007-08. In 2012-13 the bulk water cost for consumers in South-East Queensland is projected by the Water Commission to be three times what it was in 2007-08.

That bulk water cost will be borne by the retail entities that this legislation is setting up tonight. Those retail entities will have no choice but to pass that cost on to Queensland consumers. Indeed, they will be compelled to do that because of the pricing mechanisms included in this legislation that give the Queensland Competition Authority the responsibility of setting the price, just as it does with the electricity industry.

Water consumers need to be prepared for those incredible increases in water prices, but they also need to be prepared to sheet the responsibility for them home to the Bligh Labor government because it is the government's responsibility. It will not be the responsibility of the council owned entities that we set up tonight. I fully expect that in the days ahead we will stand in this House and debate just whose responsibility it is. I know full well that when that time arrives members of the government will try to blame the equivalent of the global financial crisis, which is the excuse that it tried to use when it increased the electricity price for the member for Brisbane Central's constituents by 40 per cent in three years. It blamed the global financial crisis. The member for Brisbane Central did not stand up and complain on behalf of her constituents. Like the rest of the mindless backbenchers in this government, she just accepted the explanations of the current government that somehow or other it was everybody else's fault. It is the mums and dads who live in the electorate of Brisbane Central who will feel the full effect of this government's mismanagement. They will do that when they pay their water bills, just as they do now when they pay their electricity bills.

The government and the people of Queensland can be assured that we on this side of politics will never let the Labor Party forget that it was the one that spent \$2.5 billion on a wastewater pipeline that is producing effectively nothing but that has to be paid for by the mums and dads in South-East Queensland. We will never let it forget the debacle of the desalination plant at the bottom end of the Gold Coast that has to pump desalinated water all the way to Brisbane with all of those associated costs.

**Ms Grace** interjected.

**Mr Shine** interjected.

**Mr SEENEY:** We will never let it forget that that mismanagement has built into the water business in South-East Queensland a financial cost that is the direct responsibility of people like the member for Brisbane Central and the member for Toowoomba North and all of the other members who sat in their Labor Party forums and did nothing. For 10 years the Labor Party did nothing. It decided not to build the Wolffdene Dam and it decided not to build anything at all. It was not just a decision not to build the dam that was wrong; it was the fact that it did nothing else. It was paralysed by indecision until such time as

Brisbane faced a water crisis that it then had to react to in a panic-stricken way that put layer upon layer of financial impost onto water consumers in South-East Queensland.

While we will support the formation of these retail entities that will be set up by this bill tonight, we do so with a word of caution to the government that it will not be allowed to shift the responsibility for its 15 years of mismanagement onto these council owned entities. When Brisbane consumers come to fully realise the impact of that financial mismanagement on their water prices, we will ensure that it is the government that is held to account, that it is the government that is seen to be responsible—not the retail entities that will be set up tonight and not the local governments that own them. Be very clear: the bill before the House tonight will not be allowed to be a blame-shifting exercise. It will not be allowed to be an exercise that allows the Bligh Labor government to shift responsibility for those financial imposts—those enormous water pricing increases that are coming—onto the local governments that will own these retail entities.

Let us look at what the entities involve. As I said at the beginning of this contribution, what we consider tonight is a model that was put forward by the councils themselves. It was put forward by the councils themselves because they realised and they pointed out to the government that the model that the government was pursuing was going to add another layer of financial madness onto the water pricing system in South-East Queensland. The councils could see and understand the cost of the government's proposal. The councils came up with a proposal of their own to try to make the best of a bad situation that had come about since the water reform process was put in place in 2007. The councils proposed a model that consisted of three separate, commercially focused, vertically integrated businesses incorporating both the retail and distribution responsibilities.

That is the big difference. That is the difference between what the councils have proposed and what is included in the bill tonight and what the government proposed and what would have cost Queensland water users a heck of a lot more. The entities that this bill sets up tonight will have both a retail function and a distribution function. They will own the distribution network and they will retail the end product—the water—to the water consumers. Retail functions would be separated within the entities, but the entities would have responsibility for both the retail and the distribution.

The entities will be established and will assume operational responsibility for water and wastewater services by 1 July 2011 at the latest. The entities would be constituted by the water businesses from the councils of Brisbane, Lockyer, Somerset and Scenic Rim in the first instance; Moreton and Sunshine Coast in the second instance; and the Gold Coast, Redlands and the Logan councils in the third instance. At this time Ipswich council is considering its position in the proposed model. The entities are to be managed by a board comprising a minimum of three members appointed by the owners. They will also comprise an independent chair with a majority of independent members, with councils having the option to appoint councillors or council officials. Appointment procedures will be determined by the owners having regard to the number of owners and the size of the interest held by each. Council sought to have a reserve power similar to the power that shareholding ministers have over government owned corporations. The entities will be required to report regularly to their own councils in accordance with the establishment documents.

I believe it is important—and I know there is some resistance from the government to the concept of councils being able to appoint a councillor to the board—that these councils are able to appoint a council representative to the board. We all know that the government will appoint plenty of its own to the boards. It will appoint plenty of Labor Party hacks to these boards. It is important that the councils that are the owners of these entities and will have the eventual responsibility for their operation are able to appoint a council representative. It will be interesting to see the economic regulation that will be applied and how it will work in relation to the retail entities. It is proposed that the water entities will set prices from 1 July 2010, with a price monitoring function being filled by the QCA by a submission from each entity demonstrating that prices align with the costs associated with meeting the entity's asset management plan and customer service standards.

There can be no doubt that the biggest impact on the prices that these entities must charge will be the bulk water prices that I have already referred to—those bulk water prices that are already grossly inflated and will be further grossly inflated as the full effects of the government's mismanagement flow through the system. That bulk water price will, in the main, determine the price that these retail entities can charge Brisbane consumers. Responsibility for that bulk water price rests squarely and firmly with the Bligh Labor government and the actions that it took and that were taken by its predecessor in the Beattie Labor government.

The state and the councils have agreed to a transition framework to deal with establishment costs, with the state to fund any shortfall resulting from the smoothing of establishment costs during transition in order to avoid price shocks to customers. However, it would be fair to say that sunk costs incurred in the establishment of the distribution entity should be paid by the state.

There is a very important role for local governments in the planning and development process. The water assets arrangements under IPA and IDAS recognise the need for the owner of the water assets to

have a primary control over infrastructure planning and development assessment decisions. The model before us tonight is one that the local governments have drawn up and decided gives them the best option of exercising that control.

The bill before the House tonight is only the first in a series of pieces of legislation that will be necessary to complete the water reform process to ensure that this model of council owned entities that have responsibility for the distribution and retail activities can properly operate. We will consider in this House a number of other pieces of legislation which will fill out the detail. This legislation tonight simply allows the entities to be set up for the process to begin. In that respect, we will lend our support to its passage through the House.

The bill also deals with the Aurukun and Mornington shire leases and extends those leases until 2059. These leases currently only run to 2029. The federal government's funding from the National Partnership Agreement on Remote Indigenous Housing is only available if 40-year subleases are available to Indigenous housing applicants. The LNP welcomes the move in the bill tonight but strongly urges the Labor state government not to allow this extension of time to delay moves towards freehold in these communities. It is our contention, it is our policy, it is our belief that these people need a system of freehold that allows them to invest in their own homes and establish those homes as their main asset, just as every other Queenslanders has the right to do. We have always believed that freehold is preferable to leasehold. It is a major difference in political philosophy. We will continue to ensure that all Queenslanders, wherever possible, can enjoy the benefits of freehold title.

The bill also allows for water supply investigation costs to be retrospectively recovered. This part of the bill has been instigated by the need to retrospectively recover the cost of the fluoride investigation at the North Pine water treatment facility. The retrospective claiming of the cost of that investigation is, I believe, questionable at best. However, it is reasonable to argue that there should be an avenue for the government to recover investigation costs. It is, though, disappointing and very questionable that the bill before the House should do that retrospectively. We have always expressed a deal of caution about legislation that acts retrospectively. In this case it was the government that should have taken responsibility for the fluoride bungle in the North Pine water treatment facility that caused so much angst and concern to so many Queenslanders. It was a clear failure of the state government, and the government should have been the one to take responsibility. While we support the part of the legislation that allows the reasonable recovery of costs, we put on the record tonight that we do not support the retrospective recovery of those costs in a situation where the government should have taken responsibility.

The bill also deals with land valuations and extends land valuations to 31 August 2010. I have some doubts about the rationale given by the minister in his second reading speech as a justification for this. The government is always keen to ensure that the unimproved valuation of land is kept as high as possible because for them that maximises the income they receive from land tax. It is often confused with the role that local governments have of levying rates based on the unimproved capital values. I think, without exception, local governments adjust their rate in the dollar to take account for rises in unimproved capital value and therefore very seldom receive any net increase in the amount of money they receive when unimproved capital values rise. It is the opposite with the state government. It never adjust its rate in the dollar. It takes every opportunity to increase its rate in the dollar. It takes every opportunity to ensure that there is bracket creep within the land tax system and that increases in unimproved capital value result in higher land tax receipts for the government, and it takes no proactive action to keep those receipts constant in the way that councils do.

The explanation that is given in this case is that the government is concerned that if a valuation was done it would result in higher valuations for people who are not in a position to pay. I have listened to the explanation that was given by the minister and by the bureaucrats at the briefing we received. I understand the proposition that is being put that somehow or other in the particular areas that this applies to there have not been enough sales since the market plateaued or began to fall to adequately provide a fair valuation that would reflect today's values rather than the high values that were characteristic of land sales before the global financial crisis.

While I express concern about this particular part of the legislation, I am not going to oppose it tonight. I will watch with interest and wait to see the government implement some valuations that properly reflect the changes in land values not just in these areas but right across the state, because I think there has been a marked change in property values. Those property values should be reflected in the unimproved capital value, even if that results in a falling state revenue from the land tax regime.

The bill also allows for renewable energy projects to be built on state leasehold land. Of course, we would welcome the provisions in this bill that allow leaseholders to apply to extend the terms of their crown lease to allow renewable energy projects to be built on the land. It is a situation not dissimilar to the Aurukun and Mornington Island leases I spoke about earlier. Leaseholders are going to need a secure land title if they are going to be able to finance those types of projects. Wherever those projects become viable, they should not be constrained and their construction should not be constrained by land title issues. So we

would welcome that part of the bill that allows for the leases to be extended and the renewable energy projects to be established on leasehold land.

As I said, the bill before the House is only the first in a series of bills that will deal with this process of finalising the water reform process that was begun some years ago in response to the water crisis that was a direct responsibility of the mismanagement of successive Labor governments. We will not oppose the passage of the bill before the House, but we will also never let this government use the passage of such legislation to absolve itself of the responsibility it has for the crippling price rises that are coming for water consumers right across South-East Queensland.

I know that people in local government in South-East Queensland who will be the owners of these retail entities are very aware of the danger of being put in a position where they are left to shoulder the blame for the Labor government's failure. We will assist them to ensure that never happens. The government will take responsibility for water price increases. The government will take responsibility—the minister, the Premier, the Treasurer and every member of the government will take responsibility—for the 300 per cent water price increases that the people of South-East Queensland will pay, just as the government should take responsibility for the increases in the power prices that have impacted on people across South-East Queensland in the last three years and that are also set to continue. That is the rider that we put on supporting this legislation through the House tonight. We will support the legislation, but we will also never let the government forget that it is the one that is responsible for the financial impost that the people of South-East Queensland will have to bear for generations to come.