




Speech by

Steve Dickson

MEMBER FOR BUDERIM

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

 **Mr DICKSON** (Buderim—LNP) (12.27 pm): I rise to contribute to this debate on the South-East Queensland restructuring bill and note that, in the main, the LNP does not oppose this bill. However, I will speak about a number of concerns that we do have in relation to the bill itself.

This bill, like similar bills before it, is a monument. As I have said before, it is a monument to an ill-conceived system of water supply created with no consideration for members of the community and it has this arrogant state Labor government's fingerprints all over it. Over the past year or so I have lost count of how many times I have heard government members, including the Premier and the minister, say in this House, 'Distributor-retailers are owned by local councils. It has nothing to do with us; we are only the government.'

As per the explanatory notes, the first policy objective of the bill is to enable the withdrawal of council water businesses from the South-East Queensland distributor-retailer and re-establish the water businesses within direct council operation. In this first instance, we are talking about the decision by the Gold Coast City Council to withdraw from its distributor-retailer, Allconnex. The two remaining participant councils of Allconnex, Logan City Council and Redland City Council, undertook a business assessment. As a result, they have concluded that even a streamlined Allconnex is not a viable commercial alternative and they, too, have decided to withdraw from Allconnex.

From the outset let me say that the timing of this bill is terrible. This bill was referred to the committee on 11 October last year and the committee was not required to report back until 5 April this year. During that time line there will be a state election and there was to be a council election until the Premier decided to move it. Two questions arise from the timing of this bill returning from the committee stage: how are the councils supposed to prepare a budget that takes into account this bill; and if there are any significant changes to the make-up of the elected officials on the council as a result of the election, what would happen if the new council decides they do not want to leave Allconnex?

The system of water supply in South-East Queensland is an entire shambles. Truly, the circumstances leading up to the introduction of this bill, which is a monument to Labor's so-called water reform policy, are nothing short of a scandal. The current situation regarding water supply across South-East Queensland is dire. People are struggling to pay their water bills and other utility bills. In that regard I feel the need to once again enlighten those opposite with a little history lesson. It is important that the people of South-East Queensland know exactly how we got into this situation and who is responsible. The situation to which I refer saw councils stripped of their existing water assets and the right to conduct their water businesses and replaced with the current situation which has given us a number of retail and bulk water entities such as Seqwater. This is the very same Labor government that created Seqwater that is currently on the front page of the newspaper.

On the subject of bulk water, which is mentioned in the bill and the accompanying explanatory notes, I note the following statement from the Queensland Competition Authority price monitoring draft report released last month. It states—

This is the second year of price monitoring of the retail and distribution water and wastewater activities in South East Queensland (SEQ) by the Authority.

... legislative changes imposed a ... (CPI) price cap on the retail and distribution component of certain water and wastewater prices for 2011-12 and 2012-13.

This clarifies that participating councils are responsible for pricing. The report goes on to state—

These legislative changes also require councils to publish a price mitigation plan that demonstrates how they intend to mitigate the price impacts on customers in the six years following the end of the CPI cap on 30 June 2013. By 1 July 2013, councils must publish a final price path for this period.

With respect to Queensland Urban Utilities, which encompasses Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset local council areas, I also note the following from the QCA price monitoring draft report—

Also indicated is the share of average prices accounted for by bulk water charges. It is assumed that, based on the Government's policy, the bulk water prices charged by the SEQ Water Grid Manager ... are passed through to customers in full.

The report continues—

The Ministerial Direction requires the Authority to recognise the Government's policy that the prices charged by the SEQ WGM for bulk water storage, treatment and delivery are to be passed through to customers in full.

I refer to part A of that same Queensland Competition Authority report. It states—

Changes in the prices of distribution and retail water and wastewater services for households and small businesses differ across SEQ but do not exceed the CPI cap of 3.6%.

However, the report states clearly—

The total prices paid by customers have increased by more than this when the increase in bulk water prices is taken to account.

So there you have it; despite the government's claim that water bills are capped to CPI, poor old 'Joe Average' is paying more than the CPI for water because of Labor's policy in the guise of bulk water pricing. Part A of the Queensland Competition Authority report goes on—

Residential bills (which include water and wastewater, and the bulk water component) increased across all SEQ council areas, with increases ranging from \$14 to \$94 per household, except in Scenic Rim and Lockyer Valley ...

The Queensland Competition Authority has found that bulk water charges represent around half, or 48.1 per cent, of the average water price estimated by the authority for Queensland Urban Utilities while being slightly lower for Allconnex, 45.2 per cent, and Unitywater, 38 per cent. The final quote I wish to make from the Queensland Competition Authority draft report is this—

The bulk water charge is set by the State Government to recoup some of the costs of the State-owned bulk water providers.

It does not get much clearer. This government spent \$7 billion of borrowed money building a water grid because they believed it was never going to rain again. Now we are having a commission of inquiry into a flood and this Labor government is using bulk water prices to pay for their irresponsible spending.

Unitywater chair, Jim Soorley, said that there was 'all manner of crisis spending that consumers would now have to pay for'. Those comments were aimed directly at this Labor government. Panic crisis spending is what occurred. In terms of infrastructure, the government embarked on the following: the southern regional pipeline to the Gold Coast and the northern pipeline interconnector to the Sunshine Coast, several expensive western corridor membrane recycling plants which have never provided drinking water, the western corridor pipeline, the beleaguered Gold Coast desalination plant, the property purchased at Traveston, the Traveston pipeline, the Ewen Maddock water treatment plant, the introduction of fluoride into water, the Wyaralong Dam and the Wyaralong Dam water treatment plant. Only a few of these very expensive projects produced new drinking water supplies. No doubt some of this spending was worthwhile but no doubt some of it is questionable at best and a blatant waste of money at worst.

On 24 May 2007, then Premier Peter Beattie and his deputy, current Premier Anna Bligh, held a joint media conference. The catchcry for the cameras was 'New era in water in South-East Queensland'. The media statement commenced—

A streamlined 21st century water management system for South East Queensland water was unveiled by Premier Peter Beattie and Deputy Premier Anna Bligh in State Parliament this morning.

It went on—

... the State will assume control and operate the larger water assets that hold, manufacture ... and distribute bulk water across the South East Queensland.

Yes, the Premier always intended to assume control, in other words, seize and take over water assets which council ratepayers had already paid for and already owned. The ministerial statement continues—

Councils will still have an important role to play at the retail and distribution end—jointly owning a single distribution entity that will be responsible for the domestic pipe network and pumping stations, and three retail companies.

We know one of those three retail companies as Allconnex. I will give honourable members some history to this bill. On 7 April last year the Premier stood just across this chamber and announced that—

Today ... the blame game on water in South-East Queensland ends.

The Premier told us that the Labor government had decided to repeal sections of the South-East Queensland Water (Distribution and Retail Reconstructing) Act that required the distribution and retail entities to be established. The Premier said that this would mean councils that wish to return to their previous structure would be able to do so and those that wish to retain their current entities could also do so. On the very same day the minister also stood just across the chamber and said—

... the Bligh government will force local governments to reduce water price increases next year and allow councils to retire from or disband the current distributor-retailer water businesses.

The minister continued—

Under these changes, councils will no longer be required to participate in a joint distributor-retailer entity and they can return to operating their water and sewerage utilities within their own councils.

The minister went on—

Individual councils will be able to decide if they wish to remain owners under the new DR arrangements or to withdraw. If they withdraw, they will have their assets, rights and liabilities returned to them along with direct responsibility for these water and waste water services.

That was what the minister said on 7 April last year. On 26 July last year, three months later, the minister was reported as having labelled the Gold Coast City Council 'difficult to deal with' and the Allconnex divorce decision as 'crazy stuff'. The article continued—

Mr Robertson said he was concerned that yesterday's 8-7 decision by the Council to divorce from Allconnex was not in the best interest of the Gold Coast's ratepayers.

The minister appeared on ABC Radio that same day and said—

This is crazy stuff. Frankly someone's got to stand up for the ratepayers for the Gold Coast, council isn't.

So there you have it. On 7 April the minister advocated in this very House that councils would be given the opportunity to opt out of the distributor-retailer arrangements as they were at that time. Yet three months later he is on radio criticising the Gold Coast City Council for doing just that.

I will be very interested to hear what the minister's position is on this today. It does seem that he has had some difficulty making up his mind. According to the explanatory notes, a report was prepared by the Queensland Water Commission for the Environment, Agriculture, Resources and Energy Committee to provide information on the development of this bill. Apparently it is a summary of the activities including consultation undertaken by the commission in developing this bill.

The current system has three regulators: DERM, the Queensland Water Commission and the Queensland water grid manager. I am curious as to why the Water Commission was at the forefront in the preparation of this report. I suspect the Water Commission was given this task because they had nothing else to do. They are one of three regulators. One regulator could do the job, and the other two are on notice! But what does the Queensland Water Commission do these days, Minister?

I do remember that back in November 2010 the board executives at Allconnex wanted a pay rise. They had only been in the job five minutes and, despite having achieved nothing but to separate water consumers from their pay packets, they thought they deserved a pay rise. That is quite amazing. When introducing this bill on 11 October last year, the minister stated—

Two key actions were announced to address community concerns about high water prices and councils' lack of accountability in the operation of their council owned distributor-retailers.

The minister states that there is a public perception of a 'lack of accountability' by councils. Well within the bill, part 2 allows for five or more board members. However, each council can only have a maximum of one board member. There is a maximum of three council members on any board. So in the event that there are four or more councils owning a water entity, this legislation would prevent one of those councils from having a say. Therefore, it would be a shareholder without a say.

Brisbane City Council is by far the greatest majority shareholder in Queensland Urban Utilities. Yet it has only one board member and only one vote in a board of at least six members.

Mr ROBERTSON: Madam Deputy Speaker, I rise to a point of order. Whilst I appreciate that the opposition is supporting this legislation, I nevertheless do need to bring to your attention that the contribution by the honourable member opposite is straying way outside the provisions of this bill. This bill relates to the dissolution of Allconnex. He is, in my view, straying into areas outside of the dissolution provisions of this bill.

Madam DEPUTY SPEAKER (Ms van Litsenburg): Order! There is no point of order. Will the member stay on the bill.

Mr DICKSON: Thank you, Madam Deputy Speaker. Just on that point, very clearly on page 11 of the explanatory notes it speaks volumes about board members. It states—

Board membership may include councillors from its participating local governments, with each participating local government able to appoint one of its councillors to be a board member. However this is subject to not more than 3 board members in total being councillor-members (i.e. councillors from its participating local governments).

I just thought I would make that point very clear. So the minister is wrong.

As I stated earlier, the Brisbane City Council is by far the greatest majority shareholder in Queensland Urban Utilities. Yet it has only one board member and only one vote on a board of at least six members. Adding to this unfair equity, according to this bill, the board chair with a casting vote must be an independent board member. This bill is blatantly unfair to the Brisbane City Council and the ratepayers of Brisbane as majority shareholders. It is like having a family owned business where the Premier and the minister have dictated that no member of the family can be the board chair. That is just madness in anybody's language.

To highlight further inequity within this bill, the independent board members who are allowed to hold other employment are eligible to be paid by the distributor-retailer. However, the council board members are not allowed to be paid. Councillors are hardworking and busy people, and when councillors sit on external boards the reading of board papers is mostly done on weekends and outside normal working hours. These councillors should be fairly paid for their efforts just the same as an independent board member.

Something else within this bill which needs to be highlighted is clause 13 in part 2. This allows the water retailer boards to sit and make key decisions requiring that their quorum must have at least one independent board member. However, the bill does not require a quorum to have a council member present—another inequity.

In the case of Queensland Urban Utilities, the boards can sit and make financial decisions impacting the ratepayers of Brisbane and yet a Brisbane City Council board member is not required to be present to debate any inequities. This bill is very unfair to the ratepayers of Brisbane. Sorry, Minister, but the public are awake to you. The minister talks about a 'lack of accountability' by councils, but everything I have just spoken about shows a clear intention on the part of this bill to limit councils from having any real say whatsoever. And we all thought that that was what this bill was about!

To return to the comments regarding this bill in the chamber, on 11 October last year the member for Stretton stated—

Firstly, a price cap would be imposed on the annual distribution and retail water and waste water—sewage only, excluding trade waste and recycled water—prices for households and small businesses from 1 July 2011 until 30 June 2013. The Fairer Water Prices for SEQ Amendment Act 2011 has delivered the CPI price cap, providing much needed relief to South-East Queensland residents.

The minister has in no way addressed the issue of how councils will absorb the 20 per cent increase in bulk water prices to be inflicted on former wastewater consumers of Allconnex. I suspect that the councils taking over Allconnex will not absorb it; it will be passed along to the ratepayer through their rates notices.

The bill provides the formula for the establishment of capped charges for 2012-13. Proposed section 92DW provides that in 2012-13 retail charges may not increase more than CPI. This is calculated with reference to charges which were charged to the consumer when the operations were run by Allconnex. However, the provision clarifies that the 2011-12 base charges did not include the bulk water component, as was the case for the distributor-retailers. The minister's speech makes amazing reading. It states—

The intent of the bill is to provide for the automatic re-establishment of council water and waste water business units from 1 July 2012, with the powers and responsibilities as: commercialised business units under the Local Government Act 2009 and the Local Government (Beneficial Enterprises and Business Activities) Regulation 2010; and water and sewerage service providers under the Water Supply (Safety and Reliability) Act 2008.

Indeed, proposed section 92AJ allows the Gold Coast, Logan and Redland councils disbanded from Allconnex to re-create their commercialised water businesses in accordance with the Local Government Act. However, this bill does not detail whether or not the unfair board governance arrangements forced on the amalgamated retailers also applies to the commercialised council water businesses. Simply, the bill does not allow the owner councils and ratepayers to have a fair say on the financial arrangements and governance of water infrastructure that they already own. This Labor government has legislated in this unfair bill that councils and ratepayers have very little control. This is totally against LNP policy, which is to hand back control of these water retail and distribution boards to councils, thereby allowing ratepayers to have their say.

The minister is trying to unmake an omelette, and it is an omelette that he made. If the Premier and the minister had not wrecked a system that was working just fine, they would not need to be legislating to re-establish anything. The bill also intends to apply extra requirements to the remaining South-East Queensland distributor-retailers so that they provide greater clarity for councils' pricing decision-making roles with respect to those same distributor-retailers.

The bill seeks to provide that the Queensland Competition Authority will have a price-monitoring and oversight role of the new council water businesses. Amendments to the distributor retail act introduced a price cap to limit the three South-East Queensland distributor-retailers' water and wastewater price increases to CPI from 1 July 2011 to 30 June 2013. This has since been implemented by the Fairer Water Prices for SEQ Amendment Act. Whilst distributor-retailers will be restricted to price increases for consumers on water and wastewater to increases in CPI, under Labor they will still be paying for increases to bulk water costs at 20 per cent into the future. Again I make the point that there is no doubt that, whilst

they may not be able to pass on the price increases in bulk water through water bills, councils will pass on the price increases, and I suspect they will do it through household rates notices.

As we know, the other proposal was that South-East Queensland councils be given the once-only opportunity to opt out of their distributor-retailers and re-establish council owned water and wastewater businesses. In circumstances where any council decided to withdraw from the distributor-retailer, the time line for the transaction to be completed was to be by 30 June 2012. I just hope that all of the costs the Gold Coast City Council must bear do not result in another hit for the ratepayers.

Whilst we are talking about costs, the notes accompanying this bill advise that, in order to accommodate the inevitable complaints from water consumers arising from Labor's disastrous water policies, the then Energy Ombudsman was provided with \$533,330 for its establishment costs to expand its responsibilities from just energy disputes to include water and wastewater disputes. These new changes in water businesses will mean that the Energy and Water Ombudsman's databases, work flows and customer information, including fact sheets, will need to be altered. So that that can occur, additional funding of approximately \$140,000 will be needed. The merry-go-round the government has this Energy and Water Ombudsman on will ultimately cost the taxpayer more than \$673,000 in expansion costs in order to sort out complaints arising from this government's flawed policy on water, and that is just one entity.

But the certain costs associated will see any withdrawn council having to foot the bill for the Energy and Water Ombudsman. Within the bill, proposed section 111 provides that the withdrawn councils become scheme participants for the 2011-12 financial year. From that time they are liable for payment of user-pays fees to the Energy and Water Ombudsman. These user-pays fees will be forecast by the Energy and Water Ombudsman based on the cost from the previous quarter.


To further highlight what a shambles this government's policy on water supply and distribution has been in South-East Queensland, this bill—and I am quoting directly from the explanatory notes—'requires Allconnex and the withdrawn councils to enter into a "retransfer scheme" to transfer Allconnex's assets and liabilities to the councils to allow them to perform water and wastewater functions'. But wait, there is more. This replicates in reverse the transfer scheme, transfer notices and transfer directions which were relied upon to transfer assets, liabilities, instruments and employees from the South-East Queensland councils to the distributor-retailer in 2010. This is absolutely priceless. They are doing things in reverse now—typical of this Labor government.

Any transfer framework needs to be detailed. I note that the Water Commission report to the committee states—

A key policy driver of the Bill is to ensure that employees of Allconnex are given suitable employment protections during this new period of reform. This protection will be achieved through the development of a separate workforce framework. The policy objective is to supersede the existing workforce framework with a new workforce framework to be made under the architecture provided for under the Bill.

The minister needs to tell us the time frames. When the current South-East Queensland water system was created, the transfer framework agreed upon—

Sitting suspended from 1.00 pm to 2.30 pm.

 **Mr DICKSON:** When the current South-East Queensland water system was created, the transfer framework agreed upon as part of the transitional process had some very interesting inclusions. That framework provided that, in circumstances where former council employees were required to travel greater than five kilometres from their previous workplace location to a new workplace location, travel expenses were to be paid to the employee in accordance with the rate set by the ATO. In some circumstances, the rate can be as high as 75c per kilometre. The framework further provided that, where an employee was required to travel greater than five kilometres from their previous work location to a new work location, the travel would occur during the employee's usual ordinary working hours. Who else in the community gets to travel to and from work in their work hours? That framework as negotiated was to expire three years from when the employee transferred to the new water entities or three years from the date nominated in the notification to employees who would remain with the council or on 30 June 2013 for any new employees employed by a new water entity on or after 1 July 2010.

Another question for the minister is: what will be the particular inclusions surrounding employment conditions in any new transfer framework? Around and around and around we go, just so we can get back to where we used to be in South-East Queensland less than two years ago—councils taking care of their own water supplies and distribution!

Allconnex is to be eventually dissolved, once the transfer in reverse and any other residual functions are complete. Within this bill, proposed section 92ER states that Allconnex will cease to exist on dissolution day. Additionally, Allconnex's CEO goes out of office as its chief executive, all of Allconnex's board members go out of office and any contracts relating to the appointments end. We certainly support that clause of the bill in its entirety.

It is difficult to imagine a government policy scheme that has been the source of so much financial grief for consumers as this Labor government's so-called South-East Queensland water reform. It never looked like being any sort of a success. My electorate was the first in South-East Queensland to receive water bills arising from the scheme, and the day the bills started arriving so did the calls, letters, emails and personal visits to my office. The electorate was not then and is still not now in any way satisfied with what has occurred. I cannot believe this government could have misread Queenslanders to such a degree.

As I have said, the opposition does not oppose this bill. Passage of the bill needs to provide certainty to councils that withdraw their water businesses from their South-East Queensland distributor-retailers. The LNP four-point plan for water supply in South-East Queensland includes handing back joint control over water retailing to councils. What the people of South-East Queensland deserve is proper planning for Queensland's future water needs which, in turn, will create a sustainable water supply catering for future population increases to meet the needs of householders and industry and agriculture. If elected to government, we will amalgamate the four bulk water entities into one entity to reduce the cost of supplying water; we will hand back control of water distribution and retailing to councils, which previously did a far better job managing water resources than the Bligh government; we will write off non-performing water grid assets to reduce sharp price rises; and we will adopt a 40-year price path to repay the Bligh government's \$7 billion grid debt over the economic life of the asset, which will also reduce the cost of water. Let us just hope that this bill is the start of returning water supply and distribution to those who know how to manage it.

When Queenslanders do get their water bills, I ask them to take them along when they go to vote on 24 March this year. This will remind each and every Queenslander that this Labor government and each one of the Labor members in this House voted for higher water prices. This bill talks about bulk water. People should ask their local Labor MP or any Labor MP—from Ashgrove to Waterford—why they voted for higher costs of living. The cost of bulk water has gone through the roof. The debt from the water grid is \$7 billion plus. The question the people of Queensland keep asking is, 'Who is responsible?' The answer is: the Labor Party and every Labor MP who voted in favour of this. It is time for accountability. 24 March 2012 will be judgement day.