




Speech By
Tim Nicholls

MEMBER FOR CLAYFIELD

Record of Proceedings, 17 March 2016

UTILITIES, SCIENCE AND INNOVATION COMMITTEE

Report, Motion to Take Note

 **Mr NICHOLLS** (Clayfield—LNP) (12.18 pm): I was not going to say too much in relation to this report, having lived through most of the poor decision-making that was made in terms of the lead-up to the construction of the Gold Coast desalination plant and the various other advanced water treatment plants, one of which was in my electorate. I see with some degree of humour that the member for Sandgate, who was the then member for Stafford in this place, was part of the decision-making team—if you can call it that—that led to \$9 billion worth of debt being placed on to the balance sheet of the Queensland government. That was \$9 billion worth of debt with no plan for repayment with a ‘do and spend’ mentality. Nothing exemplifies that more than this report itself, which actually quotes from the Auditor-General’s report. It states—

the cost-efficiency of these assets could not be demonstrated, due to limited comparative benchmarking data ...

It also stated—

no robust business case was developed for the GCDP, the decision on the capacity of the plant did not benefit from the rigorous cost-benefit analysis that is required to be applied to such large scale investments

For the Western Corridor Recycled Water Scheme it stated—

while there was a business case that set out the expected full costs—

which subsequently were overblown—

of the scheme, less rigour was applied to estimating potential benefits and the benefits were overstated

The importance of this report is that it also highlights the failure of the Labor Party when it came to looking after consumers. We all remember the original bulk water price path produced by the Queensland Water Commission—another quango—that would have seen prices go up by over 300 per cent by 2017-18 unless the LNP government, which came to power in 2012, took immediate remedial action. That is what we did. On 13 April 2012 we immediately commissioned a review of the bulk water price path. What did the good work of that government require? After coming in with a fully formed plan—unlike this current government—it required the merger of the three bulk water entities with less waste, fewer quangos, fewer boards and more efficiency. In its first year there was a saving of in the order of \$60 million, which is something they said could never be done.

We see in the report how those savings have translated: in its 2014-15 annual report it delivered an actual operating cost result of \$232 million, which is \$127 million—or a 35 per cent reduction—compared to the pre-merger budgets of the previous water entities. We saved \$127 million as a result of eliminating the duplication and wasteful bureaucracy that had been established under Labor, and that is despite the fact that we had to go in and fix up the mess that was left there. We had to fix up the pipes that were rusting and we had to fix up the filters that had not been properly commissioned at the

Gold Coast. Notwithstanding that, we were still able to save operational costs by rigorous expense control by maintaining a strict line in terms of the size of the bureaucracy—not just putting people on because it was convenient or easy or popular—and making decisions that saved taxpayers money. That has led to a 15 per cent reduction in the price of water that would otherwise have been expected to go up by more than three times the amount that was predicted back in 2007 when this rushed, botched, hastily conceived and ill-thought-through program was put in place by a Labor government that was panicked, that had not invested in infrastructure for a lengthy period of time and that left Queenslanders high and dry.

It is good to see this report from the Auditor-General, who has in fact pinpointed the problems of the previous Labor government's failure to plan properly, failure to do a proper cost-benefit analysis, failure to state the benefits of the program properly—in fact, to overstate them—and the failure to keep costs under control such that in a three-year period up to 2011, if memory serves me correctly, the bulk water cost paid for by consumers had more than doubled to more than \$110 per megalitre. The cost of living was going up and the state's debt had gone up by over \$9 billion, which was found—not only by the independent commission of audit that we commissioned, but by Treasury itself and by the Auditor-General—to have added to the debt load of Queenslanders, thus restricting the ability to invest in other assets. As identified in those reports, there are now efficiencies in place. Those efficiencies were put in place through the great work done by Minister McArdle in 2012, by the then Water Commission and the department, by the amalgamation of the three departments together and by its operation. I support the report, but it is a salutary lesson of letting Labor loose with water infrastructure.