



Speech By  
**Hon. Mark Bailey**

**MEMBER FOR YEERONGPILLY**

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## **WATER (LOCAL MANAGEMENT ARRANGEMENTS) AMENDMENT BILL**

### **Second Reading**

 **Hon. MC BAILEY** (Yeerongpilly—ALP) (Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply) (4.06 pm): I move—

That the bill be now read a second time.

The local management arrangements project involves the potential transfer of up to eight channel irrigation schemes from SunWater to local ownership and control by the irrigation customers in each scheme. The concept of local management is not new, with it having been introduced in New South Wales and Western Australia over the past two decades. In fact, local management is not a new concept in Queensland, with Pioneer Valley Water, near Mackay, having been a locally managed irrigation scheme since its establishment in 1996.

The continuation of the local management arrangements project is an election commitment, and I am pleased to announce that significant progress has been made over the past 12 months in delivering on that election commitment. Local management arrangements empower irrigation customers to manage their irrigation water supply and develop local solutions that suit the needs of their communities—local people who know the most about their water supply.

The introduction of local management has the potential to provide a range of benefits including that it puts decision-making in the hands of the customers, giving them the choice in how the schemes should operate in the future. For example, the schemes may choose to modify scheme operations to provide a higher or lower service standard if that is what the customers want. There will be a better engagement with scheme customers on critical decisions concerning their water supply. Irrigators will have greater control over distribution costs and potentially be able to provide greater transparency of prices.

There will be more choice in relation to the modernisation of the schemes which can be tailored to deliver the service standards desired by customers. There will also be local employment opportunities with these schemes being owned, managed and operated locally with flow-on effects for local businesses. While local management has benefits for the customers and the regions, it also provides value for money for the taxpayers of Queensland if the benefits of introducing local management outweigh the costs to all participants, including the Queensland government. Currently, the government pays a community service obligation to SunWater because irrigation revenues from the scheme do not cover the costs. In addition to the cost, the risks associated with the schemes are underwritten by the taxpayer. By handing over the schemes to local control, local management reduces the cost to taxpayers by reducing the community service obligation payments, ensuring that those who benefit from the irrigation schemes are also responsible for managing the future risks such as future capital expenditure.

Stage 3 of the project is well progressed and I am pleased to inform the House of the following achievements for the transfer scheme thus far in the project. There has been the establishment of four companies for the Eton, Emerald, St George and Theodore channel irrigation schemes to provide a legal entity for the irrigators for this stage of the project. There has been the provision of proposed terms of separation to each of those companies for consideration by their boards outlining the overall conditions of implementing local management, the infrastructure to be transferred plus other conditions of the transfer. There has also been confirmation that the Eton, Theodore and St George schemes have considered the government's offer and have agreed to proceed to the final due diligence investigations. It is expected that the Emerald board will be providing its response later this month. Once the final due diligence is completed later this year, the next step is for the final contractual terms to be agreed between the government and each board and the formal contract to be executed. Once that contract is in place, the boards will then need to consult with their customers on those terms and if there is still strong support from irrigation customers for local management the schemes will start taking over operation of the schemes, with the final transfer of the relevant irrigation infrastructure taking place in the 2017-18 financial year.

In the Bundaberg, Burdekin-Haughton, Lower Mary and Mareeba-Dimbulah schemes—that is, the investigation schemes—investigation boards have been established to carry out further investigations into how local management could be implemented in those schemes. The investigation schemes are not yet ready to commence the transfer to local management and need to carry out further work to revise their business proposals to demonstrate that local management can work in their schemes, that the schemes can be financially viable under local management, and that customers support the introduction of local management. The investigation boards are on track to deliver revised business proposals to the government later this year. Once the government has considered those business proposals, a decision will be made on which of those schemes should also commence the transition to local management.

As I mentioned in my introductory speech, the bill currently before the House provides the legal framework to implement local management arrangements in the channel irrigation schemes should final agreement be reached on the terms of the implementation of local management. The bill does not implement local management but rather provides for the means to implement local management once the final terms are agreed and the boards confirm that customers support the final implementation of local management.

In addition to the transfer mechanisms, the bill also includes a range of powers to enable the government to deliver the project efficiently and in a cost-effective manner. At present, the bill only applies to the Eton, Emerald, St George and Theodore schemes that are considering the commencement of the transition to local management. The bill does not apply to the investigation schemes—Bundaberg, Burdekin-Haughton, Lower Mary and Mareeba schemes—as these are not yet ready to commence the transition to local management and are undertaking further investigations to review their business proposals to be submitted to the government for consideration. However, once the government has considered their revised business proposals and a decision has been made on which of those schemes should also consider commencing the transition to local management, the bill allows for regulations to be made to include those schemes within the bill at some future point.

The bill only applies to the business associated with each irrigation scheme. It does not apply to bulk water assets such as dams, which are outside the scope of the local management arrangements project. Apart from some irrigation weirs, which are integral to the operation of the irrigation schemes, bulk water assets such as dams and bulk water weirs will remain with SunWater. The key objective of the bill is to introduce a transfer scheme which will allow for the transfer of SunWater's below dam irrigation infrastructure from SunWater to the new companies and then allow for the transfer of those companies from government ownership and control to customer ownership and control, noting that this only applies to those irrigation schemes which complete the final due diligence, reach agreement on the final terms and ultimately transfer to local management.

The transfer scheme contained in the bill is primarily machinery in nature, allowing for the transfer of the business associated with each irrigation scheme to the new companies established as local management entities. The bill is consistent with those used in previous infrastructure transfers and restructures. The provisions are tried and tested and have proven effective. The transfer scheme provisions in the bill will allow for the implementation of local management as follows. The bill will allow for transfer notices to be published in the *Gazette* providing for the legal transfer of all relevant irrigation infrastructure, granting appropriate land tenure, issuing all relevant licences and authorisations, and all SunWater rights and liabilities associated with the schemes. SunWater employees who work in the irrigation schemes will also be transferred via transfer notice, with all of their current rights and

entitlements preserved. The bill also allows for simplified registration procedures for matters such as registration of land transfers, registration as a water service provider and other licences and authorisations which will be granted to the new companies to ensure the ongoing and uninterrupted operations of each of the schemes.

The bill also includes a range of provisions to ensure the effective delivery of the local management arrangements project. For example, the bill allows for directions to be given to SunWater, an irrigation entity or other government agency. This directions power will ensure that the project can be carried out as efficiently as possible and also ensure that the irrigators have access to all necessary information to carry out the final due diligence investigations. The bill also contains a number of provisions to ensure that the transfer can occur in a timely manner and provide the irrigation entities with commercial certainty surrounding the operations of the scheme. For example, the bill allows for the issuing of conclusive certificates, imposes limits on judicial review and allows for transitional regulations dealing with any issue which has not been adequately dealt with in the primary legislation. Those provisions, while inconsistent with fundamental legislative principles, are consistent with past legislation relating to transfer schemes and are justifiable in the circumstances of the local management arrangements project.

While significant progress has been made on the local management arrangements project, there is still further work to be done before local management will be implemented. This bill represents a critical step in the project and its passage through this House is a significant milestone for the project. I thank the Infrastructure, Planning and Natural Resources Committee for its consideration of the Water (Local Management Arrangements) Amendment Bill 2016. In particular, I thank the committee and the chair for their deliberation and report on the bill. The committee tabled its report on 8 November 2016. The committee received six submissions, all of which supported the bill. I want to thank those who took the time to make submissions to the committee. In particular, I want to thank the board of LMA Support Services Pty Ltd, the entity established to support irrigators during this stage of the local management arrangements project, for its submission. The committee made a single recommendation that the bill be passed, and I thank the committee for that recommendation.

In addition to that sole recommendation, the committee made a number of other comments for consideration by the House and my department when implementing the local management arrangements project. A number of the submissions from stakeholders included queries surrounding the bill and proposed in some areas that the bill could be amended for clarity and to address some technical issues. I note that the committee found that my department's response to the submissions did address the concerns raised by stakeholders and that in response my department accepted that some amendments should be made to the bill. I will turn to those proposed amendments shortly.

Before I do, I would like to respond to some of the other comments made by the committee. Firstly, the committee was satisfied that sufficient measures have been put in place to ensure that any scheme that transitions to local management will remain financially viable. In order to ensure that the schemes remain financially viable over the long term, the government will need to make separation payments to each scheme to provide them with sufficient capital to remain financially viable while they close the gap between irrigation revenues and operational costs.

Since the committee finalised its report, I am pleased to announce that the government has made formal offers to each of the irrigation companies, setting out the terms for the transfer to local management. That separation offer includes proposed separation payments totalling \$36.6 million to ensure that the schemes have sufficient financial resources to remain financially viable while they increase revenues and decrease their costs. Three of the boards have agreed to proceed to full due diligence while one board is still consulting with customers before making a final decision.

The government's proposed separation payments are different for each scheme, which reflects the particular needs of each scheme, and takes into account factors such as the age of infrastructure, how close prices are to recovering costs and where each scheme is in their infrastructure investment cycle. However, based on the detailed analysis performed during the local management arrangements project, the separation payments provide each scheme with sufficient capital to remain financially viable while also representing a value-for-money proposition for taxpayers.

The committee also noted some comments surrounding the need to ensure that there is flexibility in how the schemes can operate under local management. In providing evidence to the committee, stakeholders noted that there is a need to ensure that the schemes have flexibility in how they might choose to operate the schemes in the future. Some of the issues raised concerned ensuring that the schemes can set their own prices, grant adequate land tenure and provide as much operational flexibility as possible.

In response to those comments, I note that the bill provides a transfer mechanism with the terms of the transfer to be agreed between each irrigation entity and the government. In addition, the irrigation entity will need to have sufficient support from its customers before the final transfer takes place. The government is committed to working with each scheme in good faith to ensure that local management can be delivered in a way that benefits scheme customers, benefits local communities and provides value for money for the taxpayer. There is a great deal of work to be done before any final transfer happens, but I would like to assure the committee and the members of the House that the government will work closely with each scheme to ensure that the schemes can transfer to local management, which can operate the schemes in a flexible and sustainable manner under local control.

The committee also considered the impact that local management arrangements may have on the 29 SunWater employees currently working in each of the schemes. I note that the committee was satisfied that the bill provides appropriate protection to employees and ensures that any employees who transfer to the new entities will retain all of their current rights and entitlements. I also refer to the evidence given to the committee by Mr Maughan, the acting chair of LMA Support Services and the chairperson of the Bundaberg investigation board, in which he indicated that there is an alignment of interest between the government and the schemes on the issue of the treatment of employees.

The committee also made a number of comments on the issue of the bill's consistency with fundamental legislative principles. I note that, although the bill departs from fundamental legislative principles in a number of respects, the committee concluded that those departures were reasonable in the circumstances of the local management arrangements project.

In response to the IPNRC report, I note that the committee has recommended that the bill be passed subject to a range of amendments agreed by my department in its response to the submissions made to the committee. I am pleased to advise the House that those amendments have been drafted and will be tabled at the conclusion of this debate when the House moves to consider the bill in detail.

The Water (Local Management Arrangements) Amendment Bill 2016 represents a critical step in the journey towards putting irrigators in charge of their future. Local management represents the opportunity to put locals in charge of their water supply. The people who know most about their water supply and appreciate the value of reliable water are, of course, the locals. I commend the bill to the House.