




Speech By  
**Hon. Mark Bailey**

**MEMBER FOR YEERONGPILLY**

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

 **Hon. MC BAILEY** (Yeerongpilly—ALP) (Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply) (4.31 pm), in reply: I thank all honourable members for their participation in this debate. I first visited the Eton irrigation scheme in April 2015, only two months after the election of the Palaszczuk government. Later in the year, I also visited St George. I thank all the local irrigators who gave me their time. I visited Eton with the member for Mirani and those people were very generous. I found it very informative and a very valuable experience in informing my views around this.

We have been working hard to progress this project over the past two years, working closely with regional irrigator groups. In that time, significant progress has been made on implementing local management arrangements, including forming the four special purpose vehicle companies for the Eton, Emerald, St George and Theodore schemes, as well as a special vehicle company, LMA Support Services, to provide central funding and procurement services; establishing the four interim boards for the Bundaberg, Burdekin, Lower Mary and Mareeba schemes; recruiting and appointing over 47 board members and the chairs for all SPVs and interim boards; commencing the due diligence process that will involve detailed investigations into complex legal, engineering, financial and taxation issues; and making separation offers to each of the SPVs open and transparent, and ensuring that the boards and the scheme customers are fully informed in making a decision on whether they want to move to local management.

A lot of work has been done over a two-year period, with a lot of consultation as we have all worked closely on a very broad range of issues. It is important to acknowledge that each SPV needs time to consult with its customers, as local management will only succeed if scheme customers are fully supportive of the process. The government has worked closely with each of the chairs and the timing of the delivery of this project is driven by the need to provide each board with time to properly carry out their due diligence and also to properly consult with their customers.

As opposed to the approach of those opposite, we are working closely with the employees' union representatives to develop a comprehensive framework for the eventual transition of employees, to ensure rights and entitlements are protected. As part of that, I can confirm that there will be a three-year employment security period for those employees following the transfer, which is consistent with the government's no forced redundancies policy.

Introducing local management is about putting irrigation customers in charge of their future. Dams are not part of the project and those bulk water storages will remain owned and controlled by SunWater. That is this government's policy. Local management is about handing over control of distribution infrastructure to irrigation customers. This is about community ownership; it is not the sale of public assets and attempts to characterise it as such by the LNP are disingenuous. It is in no way similar to the category of the Strong Choices program, for instance, where those opposite proposed to transfer extraordinarily large public assets from public to private ownership by private corporations. They are two very different things. These schemes are loss making, which is why they are currently subsidised

by way of a CSO and a separation payment is being provided. By handing control to irrigation customers, we are empowering them to control a key input into their businesses. Local knowledge goes a long way in this regard. The goal of irrigation customers is to have access to reliable water at a reasonable price, to ensure that their primary business of agriculture remains viable. The customers will operate the schemes to recover costs and not to generate profits from the irrigation business.

The bill provides the necessary framework to implement local management arrangements once the final due diligence is completed and agreement has been reached on the final terms of the transfer. The principal purpose of the bill is to introduce a transfer framework to allow for the transfer of the irrigation businesses associated with the scheme to new legal entities established for the schemes, and to hand over control of those schemes to local irrigators. In addition, the bill includes a range of other amendments to the Water Act to facilitate the project, including: provisions to ensure that the project can be carried out as efficiently as possible, such as the power to issue directions to facilitate the project, provisions to enable the sharing of confidential information, exemptions from state taxes, charges or fees to minimise costs, and other provisions to ensure the smooth transition to local management in the future; ensuring that the irrigation entities are given secure and flexible land tenure to allow them to operate the schemes; provisions that ensure that the rights and entitlements of any employees who are transferred to local control are protected and preserved, which is a key concern of the Palaszczuk government; and simplified registration procedures for licences, authorisations and other permits required to operate the scheme.

The bill also ensures that the transfer to local control can happen as efficiently as possible, although that does require that some provisions are not consistent with fundamental legislative principles. However, those departures are consistent with what has occurred in the past and are proportionate and necessary to deliver the project. I note that the committee observed that the departures are justifiable in the context of the local management arrangements project.

I take this opportunity to thank the board members and chairs for their continuing hard work in delivering this project. I thank those hardworking people in our regions who are working to deliver local management in their communities. Many members of the community have given their time to participate in working groups and town hall meetings, all of which have been about working towards putting those communities in charge of their future.

I am also grateful to the chairs of each of the schemes for their leadership in delivering the project: Ms Annette Smith in Emerald, Mr Malcolm Finlayson in Theodore, Mr Luke Stower in Bundaberg, Mr Lee Blackburn in Eton, Mr Mario Barbagallo in Burdekin, Mr Joe Moro in Mareeba, Mr Maurice Maughan in Bundaberg and Mr Geoff Wormwell in the Lower Mary. I also thank Mr John Storie, the chair of LMA Support Services, who will play a critical role. I acknowledge—and I certainly acknowledge the references by other members in this House—the leadership of Ms Leith Bouilly, who led the processes through stages 1 and 2 of the project and is still contributing to the process through her role as the chairperson of SunWater. I thank her sincerely for all of her work.

There is also strong support from stakeholders for the progress of this important initiative. Both the Queensland Farmers' Federation and Cotton Australia support the bill and the progress towards the introduction of local management arrangements. The Queensland Farmers' Federation has 'welcomed the move' as a 'reform by the state government that empowers local irrigators to better service their schemes'.

Cotton Australia is also a strong supporter of the local management arrangements project. It stated—

We are very pleased the process has moved forward to local management by irrigators in these areas. It is a significant step forward for growers in these districts and we thank the Queensland Government for backing the process to go to the next stage. I think this is a very important micro-economic reform in these regions that will have flow-on benefits for those regional economies.

I now turn to matters raised by the opposition during the debate. The member for Burleigh asked for clarification on the separation payments and whether or not it might be a first-in-best-dressed approach. I can confirm that it is not. I can confirm that for the Eton, Emerald, St George and Theodore schemes cabinet has approved funds for the payment of separation payments to each of those schemes. This was the basis on which the separation offers were made to those schemes.

As far as the investigation schemes of Bundaberg, Burdekin, Lower Mary and Mareeba are concerned, a decision on appropriate separation payments for those four schemes will be made by government once the investigations on feasibility for those schemes has been completed and should they proceed to transition. Those schemes are currently working on preparing revised business proposals for submission to the government. The government will then consider and assess each of those business proposals on their merits.

In considering those business proposals, it will be necessary to consider the same principles which were applied in assessing the transition schemes, that is: the schemes must be financially viable over the long-term; there must be sufficient support from customers for their transition to local management; and the benefits of proceeding to local management must outweigh the costs of implementation. Based on that assessment, the government will then make a decision on whether those schemes are ready to commence the transition to local management, and if so what the government is prepared to offer by way of separation payments. In response to the member for Burdekin, I can confirm that the government will ensure that if any of the investigation schemes do proceed to the transition stage then any offer of separation payments to those second four schemes which will be made will be sufficient to ensure that the schemes remain financially viable, but also must represent a good deal for taxpayers.

The member for Burleigh also asked about employee entitlements and referred to page 14 of the explanatory notes and section 738B(f) of the bill. I can confirm to the honourable member that the separation payments do not include funds for accrued employee entitlements such as long service leave or annual leave. Rather, SunWater currently accrues funds for those entitlements in the usual course of its business. Those accrued funds for those entitlements will be an asset transferred from SunWater to the irrigation entities on the transfer date, consistent with section 723(1)(a) of the bill. That will ensure that the irrigation entities have funds to cover those entitlements on the transfer date. It will also not have any material impact on SunWater as the accrued funds are offset by the liabilities for those employee entitlements.

Section 738B(f) simply provides that once the transfer has happened SunWater will not be required to make any further payment to the employee. The separation offers that have been made to each of the schemes confirm that any accrued entitlements will be transferred from SunWater to the irrigation entities on the transfer date so the schemes will be no better or worse off if the transfer happened earlier or later than currently anticipated. This is exactly the same process that happens in other transfer schemes. Employee entitlements will be preserved and those accrued entitlements will be transferred in addition to the separation payment.

The member for Callide spoke about the history of local management. It is true that the concept of introducing local management has been explored in Queensland for many years under a number of governments. Despite all those attempts this government has taken local management further than any other and irrigators are closer than they have ever been to taking responsibility for this essential infrastructure.

The concept was first considered by the Council of Australian Governments Water Reform Framework in 1994, followed by a discussion paper released by the Queensland government in 1996 on rural water pricing which included a section on local management principles for irrigation schemes. Again in 2000, the reform of Queensland's water sector, which involved the creation of SunWater, included consideration of local management and proposed a strategy for how it might be introduced. More recently, the National Water Initiative provided that, where practicable, jurisdictions should consider alternative management arrangements aimed at removing ongoing community service obligations.

The journey to local management has been a long one. Under this government significant progress has been made to that end. In fact, this minority government has made plenty of progress—in fact, some would argue more progress than any other; more than the Nicholls-Newman government with their record majority.

Local management can only succeed if it has the support of local irrigation customers. Each scheme must be given the necessary time to properly consult with customers and provide them sufficient information to make an informed decision about whether local management is the right choice for their local community. Under this government if local management is what irrigation customers want then we are closer to its introduction than at any time since the concept was first considered over 20 years ago. This represents the best opportunity for irrigation customers to take control of their future, if they believe that is in their best interests and the interests of their local communities.

The local management arrangements project has involved a rigorous assessment of each schemes business proposals to ensure only those schemes which demonstrate that they are financially viable under local management proceed to the transition stage. The separation payments which have been offered to each of the transition schemes represent sufficient capital to ensure they are financially viable, while also being value for money for the taxpayer, particularly considering the future costs and risks to the taxpayer should the schemes remain with SunWater. Only schemes which can meet that threshold of viability will proceed to local management.

It should also be remembered that under local control the customers will be responsible for the future operations of the scheme. Those irrigation customers need sustainable and affordable water for their farms. It will be in their interests to ensure that their schemes are sustainable over the long term.

The experience in other states demonstrates that irrigators are more than capable of effectively owning and operating their schemes. The experience in New South Wales, which has had locally managed schemes for more than 20 years, demonstrates that irrigation schemes can remain financially viable under local management over the long term.

This legislation and the introduction of local management in Queensland will provide a range of benefits to the agricultural industry in our state, with flow-on effects in local communities and local economies. It represents an opportunity for local growers to take control of their water supply so that they can ensure they have reliable and affordable water that meets the needs of their businesses.

The benefits that could be realised from local management include: giving growers the capacity to determine each scheme's future at a local level; allowing scheme customers to set service standards that meet their needs which could mean lowering or increasing service standards depending upon the price customers are prepared to pay for their water; allowing schemes to focus more on delivering value for their customers; greater customer engagement and transparency on things like pricing, service standards, modernisation; and flow-on effects also for local economies for each scheme by having money spent locally on local contractors, suppliers and other service providers. There are also a range of potential benefits to the broader community, including: removing the payment of ongoing community service obligation payments for the schemes and ensuring that the future risks associated with the schemes are the responsibility of scheme customers rather than the taxpayer in general; and increasing overall agricultural productivity by encouraging efficient water use, benefitting the Queensland economy.

As members will be aware, I have circulated some amendments to be moved during the consideration in detail stage of the bill. Those amendments are largely in response to the submissions made during the committee process and to address some other technical issues. I will provide more information on the amendments during the consideration in detail stage.

Again, I would like to acknowledge the work of LMA Support Services and the chairs and board members of the eight irrigation schemes, local irrigators and the support of SunWater in this process. I would also like to thank the stakeholder groups such as the Queensland Farmers' Federation, Cotton Australia and Canegrowers for their support for this important reform.

It would be remiss of me not to acknowledge the ongoing efforts and hard work of my department—thank you—in progressing this important initiative. The journey to local management is not yet over, but with the passage of this bill we now have in place the mechanism to implement local management in Queensland. I commend the bill to the House.