




Speech By
Patrick Weir

MEMBER FOR CONDAMINE

Record of Proceedings, 16 May 2019

STATE DEVELOPMENT, NATURAL RESOURCES AND AGRICULTURAL INDUSTRY DEVELOPMENT COMMITTEE

Report, Motion to Take Note

 **Mr WEIR** (Condamine—LNP) (3.15 pm): I rise to make a contribution to the *Water: 2017-18 results of financial audits*, report No. 8 for 2018-19, as a member of the State Development, Natural Resources and Agricultural Industry Development Committee. The audit stated that water entities generally had effective year-end close processes, producing timely and high-quality financial reports. The report shows that expenses have remained stable and three of the six entities have profits after income tax that are greater than prior years. For the third consecutive year, the water sector has maintained operating profits. However, profits after income tax have declined slightly for three of the six water entities driven primarily by Unitywater's one-off tax adjustment. Dividends to the state government have increased in the current year to \$47.8 million compared with \$8.1 million in 2016-17. The increase is mostly due to SunWater declaring dividends in 2017-18 and retaining profits in 2016 for future dam improvement works, and we will believe that when we see it! Due to operating costs, Seqwater continued to make no dividend payments to the state in 2017-18.

Participation returns of water made by the distributor-retailers to their participating local governments amounted to \$166.5 million for 2017-18 compared with \$201 million in 2016-17, down by \$35.3 million. SunWater receives community service obligation payments from the state government. In 2017-18 it received \$9 million in CSO payments, of which \$3.2 million was in recognition of rural water pricing policies and SunWater's underrecovery of costs. Seqwater also received CSO payments from the state government. In 2017-18 Seqwater received \$2.1 million to facilitate the provision of water to rural irrigators. For 2018-19, the state government has budgeted a total of \$10.7 million in CSO payments to SunWater and Seqwater. This amount includes CSO payments for channel irrigation schemes that may be transferred to local ownership as part of the Water (Local Management Arrangements) Amendment Act 2017. Once a scheme transfers to a local management arrangement, there are no further CSOs payable for that scheme.

The current rural irrigation price path for SunWater commenced on 1 June 2012 and currently applies until 30 June 2019. A number of extreme weather conditions and increased costs have occurred since SunWater's current rural irrigation price path commenced. Current cost targets set by the Queensland Competition Authority in the irrigation water price path do not reflect a rise in operating costs—that is, they do not recover the costs of supply—above the consumer price index nor do they reflect any provision for flood repairs. In 2018-19 the Queensland Competition Authority is expected to review SunWater's irrigation price path from 1 July 2019 to 30 June 2024 and I know that some rural members affected by that want to speak about that.

Dam improvements are a significant cost to the entities and are funded through retained profits, additional funding, additional borrowings and the current and future water price. At 30 June 2018, SunWater estimated the future cost of its dam improvement program at \$1.3 billion. In 2016-17, the

estimate was \$9.02 million. Future projects include Burdekin Falls Dam wall raising and hydro-electric power station, Paradise Dam spillway improvements, and Fairburn Dam spillway improvements. These projects are likely to significantly influence SunWater's financial performance and net flows to the government over the next 10 years.

In the 2016-17 state budget, as part of its debt action plan, the state government announced measures to reduce general government debt, which included arrangements with government owned corporations. Seqwater carries debt of \$2.8 billion associated with our assets along with ongoing maintenance responsibilities. The majority of those loans are held with the Queensland Treasury Corporation and have variable interest rates. The risk of interest rate movements can have a significant impact on interest payments and, therefore, the ability of Seqwater to pay other ongoing operating expenses in the future.