

**Question on Notice**

**No. 795**

**Asked on 24 May 2007**

**MS STONE** asked the Deputy Premier, Treasurer and Minister for Infrastructure (MS BLIGH) –

**QUESTION:**

With reference to the significant changes for the South East Queensland Urban Water Industry which have been proposed –

1. How will those changes affect the current water management system?
2. Will these changes ensure we meet the challenges of the 21<sup>st</sup> century?
3. Will Councils play a role in the new structure?
4. Given media claims that Councils have been calling for compensation will this happen?

**ANSWER:**

1. On 24 May 2007, the Government released the Queensland Water Commission's Final Report on a proposed new way of organising water supply in South East Queensland (SEQ). As the Premier indicated on that date, the Government broadly agrees with the Report and has commenced working to implement the new model to streamline water delivery across SEQ.

Key proposed changes include:

- the simplification of the current water management arrangements characterised by an unwieldy system across South East Queensland which has 22 bulk water assets owned by 12 different bodies and 17 water retailers, in order to achieve greater efficiency in the water sector;
- the establishment of a non-profit seeking State Government owned Water Grid Manager to operate the Water Grid; and
- the creation of a regulatory framework to ensure transparency in water pricing and water asset management.

To ensure assets are maintained in good condition, asset performance standards will be independently set, water businesses will submit asset management plans to the State asset regulator for approval, and those plans will have to be fully implemented before financial returns are paid to the asset owners.

To ensure fair prices, each part of the supply chain will be subject to stronger controls, including the scrutiny of all costs.

2. Yes. The model meets the challenges of growing demand for water across SEQ and increased climate variability. The proposed model considers the increasing need for water and wastewater services in SEQ arising from forecast population and economic growth.

The model will handle future climate variability by doing away with the current fragmented system of water governance arrangements and by supporting the SEQ Water Grid that will join the region's major supplies including non-climate dependent supplies such as the desalination plant as well as treatment plants using an SEQ-wide water transport network. The key advantage is that water will be able to be transported and shared between areas of high and low supply.

The new model will also align asset ownership with clear public accountability in the provision of water and sewerage services. The State will have unequivocal responsibility for water security and control of supply and bulk transport assets, and the SEQ Water Grid.

Through the SEQ Regional Water Supply Strategy, there will be coordinated regional planning and delivery of new supply assets and demand management solutions where needed. The new streamlined arrangements will reduce the response time to changes in the water balance arising from changes in climate, population, economic growth and other emerging challenges.

3. Yes. Entities owned by Local Governments will supply potable water and sewage collection services to households and businesses, and be responsible for retailing functions (ie, billing and customer service). From July 2009, instead of 17 Councils providing distribution and retail services, Councils will collectively own three retail businesses and one business for water distribution and waste water collection. Councils have been invited to nominate (by November 2007) which other Councils they wish to 'team up with' to form the three retailers.

The single distributor will achieve greater regional coordination of asset maintenance and planning, lower fixed costs, greater purchasing power and provide consistent pricing and service standards.

4. Yes. The Government has given a commitment that there will be full and fair compensation for the relinquishment of Council water and wastewater assets. A due diligence process will be undertaken so that compensation can be tailored to each Council's circumstances. This compensation may take different forms. For example, there could be significant strengthening of Council balance sheets by:
  - reducing some of the debt burdens currently placed on Council balance sheets; and
  - in some cases, the State providing additional funding for agreed ongoing local government capital expenditure requirements.