

Question on Notice

No. 859

Asked on 6 June 2007

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

QUESTION:

With reference to the changes that have been proposed by the Queensland Water Commission for the future security of the south east Queensland water supply –

How will these changes affect the current water management system and what role will councils play in the new structure?

ANSWER:

On Thursday 24 May 2007, the Honourable the Premier and I publicly released the final report of the Queensland Water Commission on Urban Water Supply Arrangements in South East Queensland.

The Commission prepared a very detailed proposal for reform in its final report which builds on two draft reports on institutional arrangements and cost recovery and pricing issues released for public consultation in February 2007, and also takes account of the subsequent SEQ Water Sector Asset Audit conducted by PricewaterhouseCoopers at the Government's request.

In summary, the Commission's proposal - which would be the most comprehensive reform of urban water supply management and institutional arrangements ever attempted in Australia - seeks to align control and ownership with public accountability.

Under the reform proposal, the State Government will be accountable for water security and ensuring water supplies across the region and will control the key Water Grid Assets - bulk supply and trunk transport- and the Water Grid Manager itself. Local Governments will be accountable for the supply of treated water and the provision of sewerage services to households and business.

The key elements of this proposed reform package are:

1. Ownership of dams/weirs, water treatment plants and wastewater treatment plants, currently owned by no less than 22 different entities in the region, will be rationalised to two bulk supply entities owned by the State.
2. The Gold Coast Desalination Plant and the Western Corridor Water Recycling Scheme will be under the ownership of a third bulk supply entity.
3. All the major trunk mains owned by Local Governments, along with those being built by the State as part of the Water Grid - the Northern and Eastern Interconnectors and the Southern Regional Water Pipeline - will be moved to a single bulk transport entity, owned by the State.

4. Retail activities will be split from distribution with all existing water reticulation pipes and sewerage pipes to be moved into a single entity, wholly owned by the SEQ Local Governments.
5. The number of SEQ urban water retailers will initially be reduced from the current 17 down to three, each to be owned by the SEQ Local Governments whose current retail businesses are absorbed into the new consolidated entities.
6. A Water Grid Manager will be established by the State to manage contracts between the bulk supply entities and the retailers, and to manage the flow of water around the Grid.
7. Stronger control over asset management regulation will be implemented, along with a greater degree of scrutiny over the prices that Local Governments charge their water customers.
8. A further evaluation will be done by the Commission before 30 June 2009 of retail competition including scope for introducing contestability and preferred timing.
9. Legislation will be introduced in late 2007 or early 2008 to implement the reform package.

Councils will play a key role in delivering water to households. 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 first stage will commence on 1 October 2008 when the new State-owned bodies will commence operations, while the new Local Government owned retail and distribution entities will commence as part of the second stage of the reform exercise on 1 July 2009.

A comprehensive due diligence assessment of the SEQ Local Government water assets that are to be transferred to the State will be undertaken in order to determine fair compensation arrangements payable to the Local Governments.