



Speech by

**Mr L. SPRINGBORG**

**MEMBER FOR WARWICK**

---

Hansard 26 October 1999

**CENSURE OF MINISTER FOR MINES AND ENERGY**

**Mr SPRINGBORG** (Warwick—NPA) (Deputy Leader of the Opposition) (6.35 p.m.): An aspect of the developing pressure on household power prices in Queensland that the Government really has to address is its intentions in relation to maintaining community service obligation payments to equalise tariffs in an open and competitive market. I do not just mean a blind commitment to maintaining them; I mean a response that details how the Government is going to go about that, because a whole host of challenges are now attached to achieving that objective.

Given the Government's push towards gas-fired power and the emergent push for carbon taxes and credits to increase the cost of coal-fired power so that it can sell expensive gas power, it seems inevitable that we are going to see higher power prices generally at the household level. However, if the cost of electricity in the bush is made even higher by a decision of the Government to pull away from, or even to reduce, community service obligation payments that have been used to maintain tariff equalisation in this State for many years, then the impact in the bush is going to be compounded. In that regard, we need a very clear statement from this Government and from this Minister, because the source of community service payments in the future is far from clear. I am sure that that concerns all members of this Parliament, particularly those of us who represent rural and regional areas around this State. I think that the Minister would appreciate that.

In the past, household consumers were funded to a considerable degree by cross-subsidisation. Commercial and industrial users cross-subsidised metropolitan household consumers who in turn supported tariff equalisation right across the State. Those sources of funds are now largely gone. Major commercial and industrial users now all have access to the competitive market.

Certainly, tranche one and two consumers have achieved very significant cuts in their power costs. That is good for them. However, that has reduced the very considerable source of funds for tariff equalisation for householders via community service obligations. The other major source of CSO funding—dividends and income tax equivalents imposed on the power industry—is really going to start drying up over the next few years. In fact, that process has now started. Obviously, dividends and income tax equivalent payments are at their greatest in a fully State-owned system. The fact is that we are moving inexorably towards a privatised industry by osmosis. Most of the major power projects that are now under consideration are either totally private sector or they are private sector companies joining in partnerships with existing public generators. The destination of tax revenue from these ventures is steadily shifting from the Queensland Treasury to the Commonwealth Treasury. We will get the construction jobs and the coalmines, but Canberra is going to get the lion's share of the revenue.

Insofar as there is a publicly owned element of the generating sector, it is going to be much reduced. Already we have received some disturbing evidence of the pressures that this creates via the dividend of 95% of after-tax profit that the new Labor Government imposed on the electricity distribution sector for 1997-98. We understand the dividend charged on the three generators for that year was 90% which, in a couple of cases, was significantly above the figures contained in the annual reports. Dividends at that level are obviously not sustainable. In fact, they are certainly running those entities down in their ability to put enough funds back into their businesses and to remain competitive. What those figures really show is that the Government is already under very substantial pressure in relation to sourcing funds to meet community service obligations. The need for those CSOs to maintain tariff

equalisation will increase as power prices increase and just as the availability of funds to meet the CSOs goes into free fall. We need to know not only whether the Government is going to maintain CSOs but also how it is going to do it. Tonight, the Premier has come into this place and moved an absolutely farcical amendment to the substantive motion that the Honourable Leader of the Opposition put before the Parliament earlier today.

Time expired.

---