Speech by

Mr M. ROWELL

MEMBER FOR HINCHINBROOK

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APPROPRIATION BILL
Estimates Committee E
Report

Mr ROWELL (Hinchinbrook—NPA) (11.30 a.m.): This is the first time the Queensland Government has been in deficit since 1977. It is in deficit to the tune of $1.24 billion. I think that is quite significant.

The estimates revealed an escalation in electricity equalisation costs. One of the major concerns with the budget of the Department of Mines and Energy was the blow-out in the CSO payments for the 1998-99 year in comparison with the previous year. $93m was budgeted for, but the actual cost blew out to $419m in the 1998-99 financial year. The budget used payments from the Government owned corporations to offset the community service obligations. There was an increase in dividends payable from the generation corporations to come to terms with the massively increased community service obligations.

The director-general of the department said that the CSOs were higher than anticipated for tariff equalisation but that in 1999-2000 there is expected to be a decrease due to the stabilisation of the electricity prices, which would result in a lower tariff equalisation payment to retailers. The Minister attributed the massive escalation to the energy pool price of $60 a megawatt as against a forecast of $37 a megawatt. There is a belief that the market will stabilise and that the CSOs will reduce to $259m in 1999-2000. Both the director-general and the Minister thought this was achievable. If in the future the commitment is to continue with tariff equalisation, which is a fair and reasonable expectation for Queenslanders who do not live close to generators, how will we prevent an increased cost of supply of electricity in light of the variations that may occur when purchasing electricity?

One of the issues that has to be addressed is the distribution of generating capacity. We have to ensure that it is appropriated around the State to at least cut down the cost of power losses in the distance over which power has to be delivered. The problem will continue to be exacerbated if power stations are located in one particular area of the State. It is not only about power losses in the distances that energy has to travel but also about the additional increase in the existing conductors if growth is decentralised in the State. We do not want a manufacturing industry centred around the generators that are located in one area of the State because proposals are put forward and accepted by the regulator. There will be substantial opportunities lost for refineries for the base metals that come out of the north-west minerals province of the State.

If we are going to be smart, as the Premier says, we need at every opportunity to value add to those minerals that are worth over $1 billion in export income to Queensland. The use of electricity will be a significant benefit if we are to increase the value of our raw products right throughout Queensland.

Electricity is one of those areas that is so important. There is no doubt that if we do not have a competitively priced source of energy, then industry that would have been attracted to the most advantageous location for processing will miss out. But it goes beyond the new industries. Existing industries have to compete in both domestic and export markets. If goods are manufactured in Townsville, where the price of power is considerably higher than in Brisbane, and the same opportunities are not available in the contestable market, it is only logical that, in pricing the manufactured item, where high-cost energy is used the Brisbane manufacturer would have a distinct advantage. If the Burdekin cane farmers can use lower electricity charges to irrigate their crops, then they will be more competitive with the low labour cost countries such as Brazil. This will be critical in the light of the years we have been experiencing of low world prices.