



Speech by

Mr M. ROWELL

MEMBER FOR HINCHINBROOK

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TARIFF EQUALISATION

Mr ROWELL (Hinchinbrook—NPA) (12.09 p.m.): The tradition of guaranteed, uniform, low power prices for Queensland householders is dead thanks to this Labor Minister for Mines and Energy and this Beattie Labor Government. The Beattie Labor Government and this Minister have abandoned the battlers of this State for the forces of the free market. Free market forces mean that, in all probability, there will be significant increases in power bills for all Queenslanders, possibly as early as the end of this financial year.

The Minister is in denial about this fact. He has refused repeatedly in this House to tell the truth about what he has done—to explain and to admit to the householders of Queensland. The reason is obvious. The Minister knows that the first Government of this State of Queensland that abandons the policy of tariff equalisation will be hurled from office at the very next opportunity Queenslanders have to go into the polling booths. The facts are undeniable. That is the fate that awaits the Beattie Government.

The facts establish beyond all shadow of doubt that, despite the denials, Queenslanders have been abandoned to the market by this Minister and by this Premier. This is how it has happened. The member for Mount Isa and the member for Brisbane Central dropped tariff equalisation at the end of the last financial year like a hot brick. They dropped it in a state of panic, because the national electricity market did not perform the way they expected it to.

Instead of the cost to Government of meeting tariff equalisation last financial year being its estimated \$93m, it ended up costing at least \$420m. That blow-out occurred as a result of a massive miscalculation by the Government of the cost of power for the year. The Minister said that it would be \$37 a megawatt hour, but what did it come to? It came to \$60 a megawatt hour. Instead of having hundreds of millions of dollars from dividends and from the taxes that the Government charges the industry under the corporatisation regime that it created, massive sums had to be diverted to subsidise equal power bills across Queensland.

Those opposite did not like it. They wanted the money. It hurt so much that the Government abandoned Queenslanders to the market. It did so by setting a limit on the extent to which it would meet tariff equalisation from this financial year onwards. It was the directors of Ergon Energy who let the cat out of the bag in the annual report. The truth is that the Government has established a preset limit in relation to its preparedness to meet the tariff equalisation subsidy. I ask the Treasurer: is that right? He gives no comment.

Mr HAMILL: Mr Deputy Speaker, I rise to a point of order. The honourable member asked a question of me and I am happy to provide the answer. The matters of which he complains are matters that his Government put in place.

Mr DEPUTY SPEAKER: Order! That is not a point of order. There are other ways of handling that, Minister—not through a point of order.

Mr ROWELL: If the cost of power for the year comes in under the preset limit, then the tariff equalisation will be met. But if it comes in above that level, then Ergon Energy and Energex—not the Government—will have to meet the cost.

Last year, for example, Ergon would have had a massive trading loss if it were not for the \$251m the Government paid to the corporation to meet the cost of tariff equalisation. Energex would

have been deep in the red also if it were not for the \$150m rebate for tariff equalisation and the \$22m for provision of below-cost electricity to pensioners that it got from the Government.

A miscalculation of the power price again this year at any level, even vaguely in line with the miscalculation last year, means that Ergon and Energex will have to carry the can. The plain fact is that they have nothing to carry it with. Their cash reserves are exhausted by Government's demands for cash via dividends and income tax equivalents. There is no fat with which to meet the cost of tariff equalisation if there is another bad year for prices. The Minister knows that. The Premier knows that. Nonetheless, they have abandoned their constituents, and thus their political futures, to the vagaries of the market.

There are only two ways in which Energex and Ergon will be able to meet tariff equalisation costs. The first option is, of course, to borrow. A very interesting point is that this was very strongly hinted at as the likely course by none other than the former member for Cairns and former Treasurer, Keith De Lacy, in Cairns, where he is now the Chairman of Ergon Energy. Ironically, Mr De Lacy was one of the principal architects of the Goss Government's corporatisation policy which decreed that the sole reason for being for Government owned corporations such as the power industry and public corporations such as Ergon was to meet a commercial rate of return for the shareholders.

Making a profit was their sole reason for being, and here was the architect of this creed being reported in the Cairns Post as saying that it was of no moment if Ergon had to operate at a loss to fund tariff equalisation. Well, of course it is of great moment. It involves a great contradiction of one of the cornerstones Mr De Lacy and his other shareholding Minister, the member for Mount Isa, set when they corporatised Queensland's power industry in relation to a commercial rate of return. More than that, it contradicts one of the branches of the trilogy Mr De Lacy loved to quote: low tax, full funding of public liabilities and borrowing only for projects that would service their debt from their revenue flow. It is impossible for them to service debt if they have to sell a product—the Government's product—at below cost. Borrowing to fund a forgone revenue is like quicksand, but still the Premier and the Minister abandoned the battler to the market.

The other option is, of course, to raise prices. If it is a commercial entity charged with making a profit as its sole reason for being, then that is surely what Keith De Lacy would logically want to do. The only thing that will stop that happening is the Government ordering Ergon not to increase prices, and that is highly likely. The Minister knows that if Queenslanders have to confront the logical outcome of what he has done this side of the next election, he will not be a member of the Government after it. So he will drive Ergon and Energex to the very brink of bankruptcy until after the next State election so that if Labor wins tariff equalisation can die instantly, which is what the policy is intended to achieve.

The main concerns I have relate to the loss of electricity, the length of the conductors around this State and the growing aggregation of power stations at the southern end of Queensland. This will exacerbate the cost of power equalisation in the State. There is a need for a better spread of base load stations around Queensland. This is not evident at the present time. It is an absolute necessity that we reduce the length of those conductors so that loss of energy does not continue at the level we are experiencing at present.

Time expired.
