



Speech by

Mr ROB MITCHELL

MEMBER FOR CHARTERS TOWERS

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MINISTER FOR MINES AND ENERGY

Mr MITCHELL (Charters Towers—NPA) (6.36 p.m.): The future of tariff equalisation in this State is another issue that this Minister has ducked and one that he has to stop ducking. We welcomed the commitment that the Minister gave this morning during question time that the Labor Government will continue to fund the equalisation policy that Joh Bjelke-Petersen put in place for all Queenslanders. That is really good stuff, but is it enough? We need to know how the Minister is going to do that. In the past, tariff equalisation was funded by higher prices for commercial and industrial consumers and cross-subsidisation between Brisbane and regional and rural consumers. Recently, a major source of funds has been the dividends and the income tax equivalents from the corporatised power industry. The fact is that one of these sources has gone and the other is about to go into free fall.

Because of the restructure, the major commercial and industrial customers are now buying their power on the open market. Since last December, the biggest of them has been doing that and all the others in two tranches since. So the source has gone. It has finished. There are no longer the higher dividends from the larger users in this State. That puts more pressure on the dividends and income tax, just as that source also starts to decline, because we are getting a privatised power industry by osmosis. One only has to look at the generating industry to see that. The Millmerran Power Station is a totally private sector project. The proposed Kogan Creek project is a totally private sector project. Perhaps the Tarong extension is looking a better proposition. Most of the projects in relation to the new gas-fired plants are private or private/public partnership projects. More and more, the dividend and income tax streams are going to benefit the private sector shareholders, and Canberra's coffers, at the expense of the Queensland Government.

While this happens, prices are volatile. The difference between the cost of supply to the easy-to-reach, high-volume markets in the south-east and the more isolated, relatively lower-volume markets elsewhere throughout the State is becoming wider and more stark. I can relate to that very well because my electorate is located in an area where that has occurred. We lose a lot in power generation from the generators in the south of Queensland, which has to get the power up to north and north-west Queensland.

A Government member interjected.

Mr MITCHELL: This is very important, and that is why the Minister has to do a lot of work on this issue. We are going to run into problems down the track with tariff equalisation. I am pleased that the Minister is looking at the issue now. However, no matter what party is in power, it is going to get harder and harder in the coming years. I believe that this is a big issue and one that we have to consider very seriously over the coming years.

The member for Hinchinbrook spoke about the very uncomfortable signal that emerged in the very early days of Queensland's involvement on the national electricity market in relation to the scale of these costs. The tariff equalisation CSO was budgeted at \$93m and came in at about \$420m—a massive misjudgment by the Minister and the Government and potentially a sign of things to come. I am just wondering what we could expect this year. I think the figure of \$259m has been bandied about, which is some three times greater than \$93m.

The conventional wisdom is that power prices are going to fall in the competitive market. That has not been established. In fact, that is being challenged by the early results, in which the guesstimate

was a price of \$37 per megawatt hour and the reality was \$60 a megawatt hour. With the gas power stations coming on line, it is said that it will be about \$40 a megawatt hour, but I believe that it will be a little higher than that. We should watch the pricing of power over the next few years once these gas-fired power stations come on line along with the peak load stations in Oakey and Townsville.that we have coming on line

Power prices will be at a higher level and we have to try to get equalised tariffs across the State. Of course, it will be beneficial to locate a power station in north Queensland and the Minister knows that. Indeed, the Government knows that as well as anybody. Whether it be a gas power station or any other sort, we need a power station in north Queensland to provide that equalisation. Of course, that may be only one of many solutions to the problem. We all know that and both sides of the House have spoken about it. The Minister spoke about the new power stations coming on line in north Queensland. It does not matter where power stations are located, the power still has to be transported thousands of kilometres to the people who need the equalisation tariff prices. It does not matter how many power stations there are; the power still has to be transferred to the top end. The guesstimate is obviously an unsustainable price, but anyone who is prepared to predict that we are going to see lower prices in the longer term is simply guessing.

Time expired.
