



Speech by

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ELECTRICITY AMENDMENT BILL; ELECTRICITY AMENDMENT BILL (NO. 2)

Mr HORAN (Toowoomba South—NPA) (9.16 p.m.): Tonight I rise to address the two bills in the cognate debate. First of all, I refer to the Electricity Amendment Bill 2004—that is, the bill that introduces the 13 per cent guarantee that retailers will need to provide in terms of using electricity that has been generated by gas-fired means. Tonight's debate on these bills needs to reflect the whole sad and sorry history of what has happened to electricity under this Labor government. When the Goss government was in power from 1989 through to 1996, virtually nothing—absolutely nothing—was done with regard to the new generation of electricity. When we came into government in 1996, we had a system that was a shambles—an absolute shambles. The lead time required to put in a new generating plant, as most members here would be aware, is over a period of years. We got stuck into it immediately. The immediate needs were, of course, to put in short-term smaller plants that could immediately address the brownouts and blackouts that were occurring for reasons of lack of generation. Those plants were put in places like Dalby, north Queensland and so forth to help in the short term.

At the same time, the system was crumbling and we experienced brownouts. I remember at one stage the generating plant at Tarong had corrosion in literally hundreds of kilometres of boiler tubes and cooling tubes. As was explained to us by the then Minister for Mines and Energy, the corrosion that was occurring in the form of pinholes in those pipes was quite incredible. That was due to a lack of foresight and a lack of planning and going some six and a half to seven years without having proper plans to put in place power generation strategies, which take many years to enact. We set about doing that while putting in place short-term plants to deal with emergencies at peak times. Even though the power from those smaller stations was dearer, it provided the boost needed at peak times.

Then there is the period of the Beattie government. Under this government the issue is not so much about generation; rather, it is the other end of the scale. It has been milking government owned corporations—particularly Energex and Ergon—of cash. It has gone on for years and years and years, particularly during the time when the Treasurer ran massive budget deficits.

As a result of that massive pressure to increase the percentage of the profits of the company being allocated to the dividend to 95 per cent and demanding all the time more and more money, even to the extent of demanding special dividends over and above that 95 per cent, the electrical retailer had to do an Alan Bond and revalue the assets and then borrow more money in order to pay the government. I have said before in this House that I believe what they did was incorrect. It would not be allowed to happen in private enterprise. In private enterprise, people who are running a company are not allowed to borrow to pay a dividend. In this case, that is exactly what happened. The electricity companies were forced to revalue their assets, to change their debt to equity ratio and then, as a result of that, deliver this special dividend to the government. Basically, it was borrowed money taken out of the hands of the electrical retailer and given to the government so that it could use it to try to prop up its budget. It was wrong to borrow money to pay a dividend. The stock exchanges would not allow a private company to do that.

That is the situation that we had. There was ongoing, nonstop pressure to pay a dividend and to find more and more money for the government—up to 95 per cent of the profits. Once that limit is reached, there is almost nowhere else to go other than to 100 per cent. I believe there was pressure on those retailers and the boards of those retailers to make larger profits so that the 95 per cent of the profit was also bigger. How do people make a bigger profit? They cut back on their repairs and maintenance, and they cut back on their expenses so that at the end of the day there is a big profit. So 95 per cent of that bigger profit gives the companies a bit more to hand over to the government, which is putting enormous pressure on them behind the scenes to deliver more and more to try to counteract its budget deficits, particularly in the first two years of the last term of the Beattie Labor government.

That is the background of what happened in the electricity industry. That led to the situation this year where last summer the system could no longer cope with the needs of a hot summer and the needs of a growing population that was building houses without eaves and needing airconditioners. The electricity retailers were promoting airconditioners like mad. So every summer we had something like a 40 per cent or a 50 per cent increase in airconditioners in Queensland homes. The system could not cope and the ever-increasing number of blackouts and outages just escalated.

To try to save face, the government commissioned the Somerville report. It showed what everybody else out there knew—that the system could not cope. Basically, in many parts of Queensland—and I know that it has been happening in the south-west of Toowoomba in the area around Westbrook and Wyreema—it was like having a 10,000-gallon tank and trying to run the water through an eight-inch pipe. It just would not go through. The water might have been there, but the pipeline was not big enough to supply it. That is basically what was happening.

Then we saw the government's spin doctors get out there. We also heard the announcement in this parliament of 'X' million dollars worth of new generators and everything else that was part of the plan. But, of course, everybody in the know knew that all of those extra pieces of substation equipment and so forth had to have been ordered at least 12 months before in order to arrive about now. Special orders had to be placed for them. Some of them had to be imported. This new equipment was not as a result of a sudden, new plan implemented by the government; it was the usual equipment that was ordered by the people who put in place the electrical retailing system.

It was a shameful and disgraceful episode by the Labor government in the early 1990s when its lack of foresight and planning saw a massive decline in generating capacity. Then again under the Beattie Labor government we saw the retailers used as milking cows. Then those retailers were forced to increase the capital valuations of their businesses so that they could give more money for another dividend, which was the special dividend. Over a period of years that caused the decline in the feeder lines and the decline in the repairs and maintenance that brought us to the crisis that we saw this year. What a sad end it was to the crisis. As usual, the government was trying to cover itself by looking for a scapegoat. It suddenly saw the opportunity to blame the CEO of Energex, Mr Maddock, and then we saw the awful tragedy that ensued. This was a government that saw its chance to find a scapegoat like it always did. It did not wear it on the chin, it did not cop it, it did not admit that it got it wrong.

The exact same thing happened as a result of the protection of children inquiry. For three or four years the government was warned of what would happen if it did not act. We then had a crisis situation. At the end of the day the government had to come up with all of this money to try to fix this massive problem that occurred with the protection of children, which was of its own making, just the same as this problem with electricity was of its own making.

I refer to the issue of the 13 per cent mandate. I want to raise a couple of points. It is very interesting to see that, when it suits the Beattie Labor government, it can bring in a mandate. In this case, it is bringing in a mandate for 13 per cent gas-fired electricity. Just recently in this term and in the previous term of the government we introduced private members' bills into this House for the mandating of ethanol production. The government has all the excuses in the world not to do that. Twice now the Beattie Labor government has voted down the concept of mandating the production of ethanol so that the costly business of establishing an ethanol plant can be undertaken in the sugar and the grain areas. Twice now the government has voted down a private member's bill to do that because it does not have the foresight, it does not have the vision, and it does not have the organisational and management capacity to make these things happen.

The government wants to blame the federal government because it is not game to do it itself. The government blamed mutual recognition and the Australian Constitution as reasons why it could not support the private member's bill. Yet, in a contestable industry such as power, which comes back and forth over the border through the main western feeder line that comes up to the west of Millmerran, it is all right to have a 13 per cent mandate to have gas-produced electricity. The government blamed mutual recognition and the Constitution as reasons why it could not mandate ethanol. That makes no sense. But it does make sense that, when it comes to ethanol, the government is all show and no go. It is not prepared to undertake anything that is a little bit difficult and might have some risk attached to it. It wants to be able to leave that to someone else. It is not prepared to do it.

In the opposition's previous private member's bill we offered ways in which to move from a 10 per cent ethanol mandate in all fuel to only 65 per cent of fuel. We looked at ways in which the whole system could be eased in. This system has worked in America. There is now a minimum of 10 per cent ethanol in fuel mandated throughout America. That started off with a mandate in the state of Minnesota. In South America, people are using ethanol to a very, very large extent—up to 85 per cent—in their vehicles. We have a wonderful opportunity to do it in Queensland, but the government will not budge. I think that it has a philosophical attitude towards it, or it does not like the idea because the National Party raised it first in the parliament and it does not want to be seen to be following suit. The government has some crazy reason why it will not do it. It is certainly not because of mutual recognition and it is certainly not because of the Australian Constitution. I have gone through the reasons for that in previous debates. But in the case of this bill obviously the government is able to introduce a mandate, or a guarantee, even though electricity is a competitive product in a competitive market. It is sold back and forth over the border, depending upon the availability in New South Wales, Victoria and Queensland and the excesses that those states have in the power industry.

I believe that another issue is related to coal-fired power and gas-fired power. At the moment, the gas that is being used—and this is quite an exciting development—is the gas from the coal seam methane fields in the Surat and Bowen basins. It is being taken over to the Townsville power station. From what I have heard, there is a big push to get PNG gas into Queensland. I know that the Labor Party is trying to do this because back in 1998 Jim Elder promised it and said that he would have a pipeline down the coast of Queensland in three years. But why do we have to have PNG gas when we have our own gas industry—an exciting gas industry—in the Surat and Bowen basins and parts of south western Queensland where I am told very reliably that we have similar amounts of gas? We could be providing all of the gas ourselves from our own Queensland gas fields and not have to bring in gas from PNG that may have sovereign risk and requires a pipeline right across the ocean from PNG and down the coast of Queensland. Why not look after our own families first? Why not use our own gas first when we have rich gas reserves?

This guarantee, or mandate, of 13 per cent will also have another effect that I would like to hear the minister make some comment about in his reply. The concept of having gas-fired electricity has been brought in in order to achieve certain things in relation to the environment and global warming. In Queensland it does have a real effect because we are one state, one place in Australia, that has outstanding sources of coal. In some cases power stations, such as at Millmerran and the proposed station at Kogan, are right on the face of the mine. It is a very cheap and efficient system. Coal-fired power is some of the cheapest available power in the world, and we are able to produce it here in Queensland.

Bearing in mind the availability and geographic location of coal, the 13 per cent of mandated gas-fired power will be produced at two to three times the cost of producing coal-fired power. That will increase the average costing. That average costing is used to work out the price of power, be it for domestic consumers or for the tranches of those industries that are taking large chunks of power which have been able to enter the contestable market, which people in the domestic system have not been able to enter.

We will see an increase in the price of power. I would like the minister to indicate in his reply to the second reading debate how much the cost of power will go up in Queensland, because 13 per cent of our power will cost two to three times as much as coal-sourced power to produce. Thirteen per cent is significant. When there is a doubling or trebling in the cost of production of power, there will have to be a significant increase in the cost of power through the increase in the average price. That will flow on not only to domestic consumers in Queensland. Even though we have equalisation across the state, that will be at a higher rate so people will be paying more for their power. Industries that purchase the tranches, depending on the amount of power they use in the contestable market, will be faced with an increase in the cost of power. It might be interesting for the minister to tell us whether they would then be more likely to buy their quotas of power from interstate so that we actually lose business to interstate.

I refer to the issue of the standards and guarantees. I have spoken about the woeful set of circumstances that have led to this crisis in the power industry in Queensland. The Labor Party is scrambling to try to man the bilge pumps and keep the ship afloat—it has been forced into a panic—and is endeavouring to bring about a system whereby we will not have the serious problems that we had last summer and that we were seeing every year before.

I have noted the virtual panic in the tree lopping around Toowoomba and the surrounding districts. Anything that sticks out of the ground anywhere near a powerline has been cut down, particularly since the Premier panicked here in the parliament when the Treasurer inadvertently said that he would provide compensation. This debate tonight is about the compensation that will be paid to people.

We can see what will happen. The actual standards will be set by the regulator, who is ultimately the director-general. No doubt the director-general is on a performance bond and is paid a salary plus a performance bonus. If he is half-smart he will not be setting the bar too high because if he fails he will not get the performance bonus.

The interesting thing for us is not going to be the principle we are debating tonight—the principle of having service levels, which we always used to have until these organisations were used as cash cows. We always had the standards. Basically they have had to be reintroduced because the organisations were forced to drop their standards so that they could increase their profit and give a bigger dividend to the government. After the legislation has been passed it will be interesting to see what standards will be introduced, the form of the rebates, the amount of the rebates and how people will be treated fairly. Will it be made so tough for people and the standards made so convoluted that no-one can get any sort of a rebate? What will be the rebate if there has been an outage that has knocked small business or home owners about? It will be interesting to see just what the government and the government owned corporations come up with.

I have only one minute left to me, but I want to bring to the attention of the minister the serious problem that exists in the Westbrook and Wyreema areas to the south of Toowoomba. People in those suburbs are sick and tired of blackouts and outages. I also want to commend the wonderful efforts of the workers in Ergon in and around our city. When the storms are on and when wires come down, they are out there in the middle of the night and in the middle of the storms. That takes a lot of courage and a lot of commitment to our community. The efforts they make, sometimes with a lack of staff and a lack of equipment, are quite outstanding. The bravery and commitment they show are to be commended.

I do hope that the minister can take note of the problems that exist, particularly in the Westbrook and Wyreema areas. I hope that his note takers have written that down and that they can give us an answer as to whether that area will be fixed, because people are sick and tired of it, particularly people with small businesses and shops that need to keep their products cold.