Speech By
Andrew Powell

MEMBER FOR GLASS HOUSE

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MATTERS OF PUBLIC INTEREST

Electricity Industry

Mr POWELL (Glass House—LNP) (12.17 pm): I rise this morning to join with the shadow Treasurer to speak about some of the clear holes that are emerging in Labor's budget strategy. Again, I would like to highlight some of the problems that have emerged in this space, particularly as they relate to energy, because quite clearly Labor's two main debt reduction promises are tied to reforming the government owned corporation sector and both of those promises simply do not stack up.

The first of those promises was to achieve some $150 million annually in savings by merging the five electricity businesses into two. That was the Treasurer's big plan to save money—more likely the Treasurer's big plan to significantly inhibit competition in the electricity market. We know that the ACCC has serious concerns regarding the merger of the power generators CS Energy and Stanwell. I note that in the Treasurer's diary he met with representatives of the ACCC in April. I think it is important to highlight what ACCC chair Rod Sims said following that meeting, because it shows the ACCC still has significant concerns with what Labor is proposing.

Mr Sims went on Steve Austin's morning program on ABC. Steve asked him whether his concerns about the power merger leading to higher prices still remained following that meeting. Here is what Mr Sims said—

I don't change what I said earlier and that's why we're putting a lot of effort into talking to the Queensland Government to make sure this issue gets addressed properly.

He went on—

Look, we're discussing with the Queensland Government about the two generators. As I say they must be 60-70% of the generation in Queensland. We obviously have concerns about those two coming together.

Perhaps most importantly he said—

We're very concerned whenever governments step in to try and protect their revenues because the losers are consumers.

The Treasurer's key debt reduction plan could leave Queenslanders paying more for their power. The member for Mulgrave is also relying on savings from merging these businesses from the 2015-16 financial year onwards. Let us contemplate that for a second. The Treasurer is assuming that he can work through the significant concerns the ACCC has and push through this merger in time to get savings this coming financial year. Of course, Labor's modelling ignores the significant up-front costs of merging these businesses, which have been previously estimated at $170 million a year. The modelling behind the figure of $150 million a year has never been publicly released so we do not even know if it stacks up at all.

To be honest, the Treasurer does not even know how much he is meant to be saving from merging the energy businesses. Last sitting week he said that he expected savings of $440 million over the forward estimates from aggregating the energy businesses. Labor's economic and fiscal strategy shows savings of approximately $565 million from merging the energy businesses over the same period or $407 million over the next three years. The Treasurer is clearly confusing himself and it is not a good sign for the coming budget.

The second part of Labor's debt reduction plan which does not stack up is the plan to use two-thirds of the dividends from government owned business to pay down debt. As has again been highlighted here today, you cannot spend the same money twice. Directing cash from one purpose to another will not reduce debt. If the Treasurer is going to live up to his promise to pay down debt, he will have to find savings in another area. Secondly, the forecast revenues from these businesses has dropped dramatically following the Australian Energy Regulator's preliminary decision at the end of April for Ergon and Energex. The Treasurer has been forced to acknowledge that this has left a hole in his budget strategy. In response to a question I asked on the topic last week he said—

The member for Glass House is quite right: the AER determination shows that there is going to be a reduced yield by those two energy businesses …

But the Treasurer failed to outline what impact this would have on his budget strategy or promise to pay down debt. All he could say was 'wait and see'. I can assure the Treasurer we are watching very closely. We know that the revenue of these businesses is down around $450 million a year, and this will have an impact. We also know that the Treasurer has refused to rule out stripping even more dividends out of these businesses. Again last week he was asked whether he had plans to take more dividends, and again he refused to answer the question. Does the Treasurer have plans to return to a 95 per cent dividend take, as occurred previously under Premier Beattie? This is a decision that could have disastrous consequences for the long-term viability of these businesses, and the Treasurer should step up and rule it out now. Queenslanders should be concerned because every move the government has made in the power space to date has been a disaster, and worse still it could leave everyday families paying much, much more.