




Speech By
Hon. Mark Bailey

MEMBER FOR YEERONGPILLY

Record of Proceedings, 14 June 2016

ELECTRICITY AND OTHER LEGISLATION AMENDMENT BILL

 **Hon. MC BAILEY** (Yeerongpilly—ALP) (Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply) (12.46 pm): I would like to thank the Transport and Utilities Committee for its report tabled on 12 May 2016 regarding the Electricity and Other Legislation Amendment Bill. I would also like to thank those who made submissions to the committee about the bill and those who appeared as witnesses as part of the committee's inquiry. The committee has recommended that part 2 of the bill be passed. I am pleased to table the government's response to the committee's report.

Tabled paper: Transportation and Utilities Committee: Report No. 16—Electricity and Other Legislation Amendment Bill 2016, government response [\[874\]](#).

Whilst the bill in its entirety has the support of the government members of the committee, the opposition has issued a statement of reservation about parts 3 to 5 of the bill. This is unsurprising. Despite their token comments acknowledging that the Ergon-Energex merger was an election commitment of the Palaszczuk government, the opposition has left no stone unturned in their quest to sabotage the will of the people at the last election to keep this state's energy assets in public hands and it continues to this day. The opposition continues to not listen to the people of Queensland.

This bill is to help facilitate the operations of Energex and Ergon following the implementation of the electricity distribution businesses merger. It is not a bill implementing the merger itself. The so-called objections of the opposition to this bill are, in reality, the objections they hold about these assets staying in public hands. The mock outrage about manufactured job losses and the scare campaign about the energy services business are all just ploys to bring public ownership into disrepute and for a fire sale of our assets. I note in that vein the record of the opposition when in government, with 14,000 sackings of public servants and the highest unemployment level in 11 years under the member for Clayfield's reign as treasurer of this state.

In any event, the so-called objections fall outside the scope of this bill. If the LNP want to bring certainty to this debate they can come clean about their new privatisation plans, which we seem to get snippets of through various media outlets. I note the member for Clayfield's comments on the ABC last year when he said that he saw the government's role as being the regulator in these matters and that they should avoid any conflicts—a clear indication that his position on asset sales has not changed one iota.

At least on this side of the House we are clear that our electricity assets are staying in public hands and through this merger we will make them stronger. We are building an energy business for the future and it will be the largest power company in Australia with over \$24 billion in assets. This merger will remove duplication in areas like administration, shared services, boards, management and corporate costs. This will deliver for taxpayers greater efficiency.

We have developed and are implementing a measured and responsible plan to set a clear fiscal path for the future while keeping Queenslanders' assets in public hands, as we promised Queenslanders at the last election. The government's pre-election fiscal strategy and debt action plan identified significant savings in consolidating government owned corporations in the energy sector. The government has undertaken a detailed review of possible merger options to optimise the efficiency of government owned energy businesses. As was reported to the 2015-16 Mid Year Fiscal and Economic Review, the government's review concluded that the two distribution businesses—Energex and Ergon Energy—should be merged to streamline operations, harness efficiencies and put the businesses on a footing to meet the challenges of a rapidly evolving energy industry.

On 15 December 2015, the Treasurer announced that the businesses of Energex and Ergon would be consolidated under a new parent government owned company, expected to be in place by mid-2016. The new parent company—Energy Queensland—will be established as a government owned corporation and incorporated under the Corporations Act 2001 (Cth). A regulation will be passed under the Government Owned Corporations Act 1993 to declare the new parent company to be a government owned corporation and transfer shares in Energex and Ergon to the parent company. Energex and Ergon will become subsidiaries of the new government owned corporation. The consolidation of Energex and Ergon under a new parent company will create the opportunity to bring together the corporate and administrative functions of both Energex and Ergon, leading to the elimination of duplication and the adoption of industry best practice across the network.

The operational functions of the electricity distribution businesses will continue to be undertaken by Energex and Ergon. Whilst the new consolidated structure will be implemented using the existing framework under the Government Owned Corporations Act, the bill effects consequential amendments to various Queensland acts. These consequential amendments are necessary so that Energex and Ergon can continue to operate under the same level of regulation once they become subsidiaries of the new government owned corporation. This will provide regulatory certainty and ensure no business disruption to the essential operations of Energex and Ergon. Part 4 of the bill will also implement minor clarifying amendments to the Government Owned Corporations Act.

The consolidation of Energex and Ergon creates the opportunity to transform the business in response to sustained changes in the energy markets. This includes the development of an energy services business directed towards investigating opportunities for emerging technologies and meeting customer needs in the changing energy industry. The focus of this business will be on new markets and opportunities. It will not be entering into markets that are already well serviced.

I note the opposition's concerns, as expressed in the statement of reservation, that the development of an energy services business has been quarantined from parliamentary scrutiny. That is simply not the case. The fact is that the Corporations Act already provides a mechanism by which any of Energex, Ergon or the new parent company could incorporate a subsidiary. This bill is about ensuring that Energex and Ergon can continue to operate on a business-as-usual basis. Implementation of the merger is a key component of this government's fiscal strategy. It will create opportunities to streamline corporate and administrative functions and harness efficiencies in addition to ensuring the businesses are well placed to meet the challenges posed by a rapidly evolving energy industry.

Part 2 of the bill relates to amendments to the Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984. The Island Industries Board, trading as the Islanders Board of Industry and Service, commonly known as IBIS, is a statutory body governed by Part 7A of that act. Of course, IBIS has a long history in the Torres Strait region. The objective of these amendments is to modernise the provisions applying to IBIS.

Although IBIS is currently operating effectively and returning an operating surplus, the legislative changes are necessary because current trends in the retail industry endanger the future operations of smaller entities. These trends have resulted in a small number of large operators dominating the national market but having no interest in providing retail facilities in remote areas with small populations. Together with increasing transport, power and maintenance costs, these trends have exacerbated the increasing pressures on smaller operators, such as IBIS, resulting in declining terms of trade, escalating costs and pricing pressures. For IBIS, these are exacerbated by the remoteness of the area serviced, the growing impact of online purchasing and the limited incomes of many of its customers, who are dependent on this organisation for food security. Food security is the primary objective of government involvement in retail operations in remote and very remote Aboriginal and Torres Strait Islander communities. Other objectives, such as maximising employment opportunities for local people, are also met through government involvement in this area.

To meet these objectives, the ability and agility of IBIS to respond to challenges is critical. Prior to these proposed amendments, if a remote or very remote Aboriginal or Torres Strait Island community had a store operated by a private operator and it closed leaving the community without a store, IBIS would only be able to open a store if the location was within the Torres Strait or Northern Peninsula Area. Given the challenges facing retailing in remote areas, this scenario is a real possibility. This limitation on IBIS operations is impractical and places remote communities at risk of not having access to a food supply.

Proposed amendments remove the current geographic limitations on the operations of the statutory body and change the name of the body to Community Enterprise Queensland to reflect this change. It is important to note that the trading name of the entity, IBIS, which has a long history in the Torres Strait region, will not change. Provisions relating to board governance, membership, operations and administration are amended to more readily facilitate operations of the statutory body, given potential changes to its operations as a result of the removal of the geographical limitations.

Retail operations are viewed as central to community life in remote and very remote communities. IBIS provides a range of food, drinks and essential household items as well as other essential community services such as access to banking facilities and distribution of maritime safety packs. The proposed amendments, which strengthen governance, provide the opportunity for enhanced ministerial oversight, strengthen administrative arrangements, and enhance the organisation's ability to respond to commercial opportunities which may emerge outside its current area of operations have been identified as the most appropriate way by which to address current pressures on this organisation and to mitigate the risks and possible future costs to government. Provisions in the current bill are intended to ensure that Community Enterprise Queensland is subject to ministerial oversight, which is appropriate given the critical importance of its operations to the welfare of the communities in which it operates.

Board membership requirements have been altered by the proposed legislation to enable appointment to the board of a maximum of 10 members. It is intended that the board comprise members with necessary expertise to successfully address the challenges that this organisation faces both now and in the future. Consequently, legislative provisions relating to the nomination of board members have been kept as non-specific as possible to enable nomination of persons with the expertise required to occur in accordance with non-legislative procedures. This is important, as retail is a very dynamic environment. IBIS, because of the isolation of many of its stores and geographic challenges arising during its operations, faces a multitude of other challenges including those involving weather conditions; unpredictable service demands arising from local ceremonies; transportation; power; building, systems and equipment provision; support; and maintenance. It is important that the board be able and willing to provide the guidance necessary for the organisation to effectively address these challenges.

The Transportation and Utilities Committee recommended that section 60DB of the bill be amended to provide for 'at least one community representative' on the board in addition to 'at least one consumer representative'. The government accepts this recommendation and I will propose this amendment during consideration in detail. Community representation is considered essential and, with the adoption of the committee's recommendation and appointment of this representative, together with at least one member who represents consumers, community representation on the board will be assured. The primary responsibility of these members will be to represent the interests of the consumers of services in those communities where the entity operates. The legislation attempts to address the interests of these consumers by ensuring access for consumers to 'a range of food, drinks and household items essential for a healthy life at a fair price'. These amendments are intended to place this organisation in the most favourable position to satisfactorily address current retail industry pressures and mitigate possible future risks and costs to government, while maintaining essential services to the communities where it operates. I commend the bill to the House.