

Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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## **ELECTRICITY INDUSTRY BILL 2003**

### *Second Reading*

Resumed from 30 October.

**MR C.J. BARNETT** (Cottesloe - Leader of the Opposition) [8.16 pm]: I am not the lead speaker for the Opposition on this issue. The member for Darling Range, the shadow Minister for Energy, will be the lead speaker. I will take some time to introduce this debate. With the cooperation of members opposite I would like to present an overview of the energy industry. I will not talk particularly about this Bill. I want to tell members opposite, in good faith, something about the energy industry in Western Australia. As someone who was the Minister for Energy for eight years, I know a little bit about some of the issues. This debate is not about whether there should be energy reform; it is about how energy reform takes place and at what pace. That is the fundamental issue. If there is a difference across this House, it is about the way in which the process of energy reform or energy deregulation should take place. In explaining that, I will take members through some of the recent history in this State of the energy industry and some of the critical issues that will confront a Government, no matter which party that Government is drawn from.

The modern story starts with the Carnegie report, which was commissioned by a previous Labor Government. Sir Roderick Carnegie undertook a very comprehensive and expensive, but very valuable, review. His recommendations were presented at the time of the coalition Government. I was the Minister for Energy at the time. I have a great respect for the work that Sir Roderick Carnegie undertook. Although I agree with him on most of the principles, we had a fundamental difference of opinion about how electricity and gas reform should be introduced. The only thing I will say against Sir Roderick Carnegie is that I wish he had not hugged me in the middle of a press conference because it was not good television footage! He insisted on doing it.

Mr E.S. Ripper: I would like to get a tape of that!

Mr C.J. BARNETT: He gave me a big bear hug and it was not a pleasant experience!

On speaking about energy in this State, I start with 1993-94. There is no doubt that the energy industry in this State was totally monopolised by the State Energy Commission of Western Australia. That was not necessarily a bad thing. It was a result of the postwar development of this State. Indeed, the State Energy Commission was an agency that underpinned major economic development in Western Australia: the development of powerline systems throughout the wheatbelt, the development of the gas pipeline and the underpinning of the North West Shelf project - achievement after achievement. However, it was a totally monopolised industry at that stage.

In 1995, the first significant step in energy deregulation was taken. That was a very simple step of splitting the then State Energy Commission into two corporatised entities - Western Power for electricity and AlintaGas for gas. They were established as corporations. They were set up as though they were private sector businesses, with a company structure and a board of directors subject to the liabilities and responsibilities under the Companies Code. That was a significant change and the first major reform.

The previous Government, in which I was the minister, set down a further and continuing process of energy deregulation for both gas and electricity. I will make a few comments about gas, because gas is easy. It is not an essential service to the same extent as electricity or water. Gas is easy because it can be stored, left in reservoirs in the ground, put in tanks and left in pipelines. It is simply transporting methane molecules - very simple compared with electricity. Gas is analogous to water. A number of things are done with gas.

Western Australia's great economic advantage is in its natural gas resources. That sets this State apart from every other State in this country and from other regional economies in the world. This State has the world's greatest undeveloped natural gas resource that happens to coincide with a first world economy, and it is poised on the edge of Asia. Western Australia has a huge mineral resource endowment and an agricultural industry. It can use its gas resource to add value and advance the economy. I know that it may not sit simply with purist, free-market economics or private enterprise, but I have a very strong view that government must play a role.

The previous Government had some simple objectives regarding gas. It recognised that there would never be an electricity grid across the State - it is the size of Europe. However, there can be a gas grid across Western Australia. That is why the coalition, when in government, sponsored and achieved the goldfields gas pipeline and the mid west gas pipeline, and why it supported the Pilbara pipeline - I know that had its origins in the previous Labor State Government - to take gas from Karratha to Port Hedland. The previous Government supported the extension of gas from Bunbury to Busselton. The next step that must be taken is the provision of gas from Bunbury to Albany. The grid in Western Australia is a gas pipeline grid - it is clean, efficient and modern energy. No other State in Australia has that. That is the glittering prize. That is the opportunity for this State.

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Mr E.S. Ripper: Do you support the pipeline to Esperance?

Mr C.J. BARNETT: Yes, I do. It was always part of the scheme. It is great; it is terrific. We support the grid of pipelines. This State will not have a total electricity grid. Members should understand that this State's grid is a gas pipeline grid - clean, modern, efficient and low-emission energy. That is this State's great natural advantage. The previous Government set about deregulating. The most significant thing I did as an energy minister was to oversee the renegotiation of the North West Shelf gas contract. Gas producer came into direct contact with gas supplier. The price of gas fell 50 per cent in the Pilbara and 30 per cent in the south west. A thousand megawatts of private gas power generation developed very rapidly in Western Australia throughout the Pilbara and the goldfields and in the south west.

Gas was a success story. Yes, the previous Government did go the whole hog. It privatised the Dampier to Bunbury natural gas pipeline, but it looked after the natural monopoly. The natural monopoly was not the pipeline but the easement. The previous Government retained the easement in public ownership. It retained \$50 million from the sale to widen that easement so that future players could build independent competitive pipelines.

Mr E.S. Ripper: I think that aspect was good policy.

Mr C.J. BARNETT: I have very little time. The previous Government privatised AlintaGas. I know the Government has a philosophical objection to that. That is fine. That is why Labor is on that side and we are on this side. We would like to be on that side and we would like Labor to be on this side. However, we are on different sides. What was one of the policy issues in the privatisation of AlintaGas? It was that Western Australian people could own AlintaGas. Even today, there are 70 000 mum and dad shareholder owners of AlintaGas. AlintaGas has probably been the outstanding corporate success story in this State, along with Wesfarmers, in the past 10 years. AlintaGas is now a significant national energy company. It has bought assets in Victoria. It is expanding, and it is Western Australia based. It is a fantastic success story and based on a very successful privatisation in every respect.

I will deal now with electricity. I moved slower on electricity reform or deregulation for some very good reasons. First, electricity is more complex. It cannot be stored like gas or water. It must be produced and delivered to the customer at 172 000 kilometres a second - instantaneously - at a certain voltage. That is very difficult in a State like Western Australia. It is a manufactured, engineered, sophisticated and complex entity to deal with. Electricity cannot be put in a bucket as can gas or water. It is very different. It is also the case that Western Australia is isolated. All the other States will be interconnected, including Tasmania. If they have a power station crash, a blackout or a breakdown in a power station, they can get power from over the border; there is a powerline across the border. The whole of the United States and the whole of Western Europe are interconnected. Western Australia stands almost alone in the world as a State in a first developed nation that does not have an interconnected power supply. Commonsense tells us that because we cannot store the stuff - people can have their little batteries, but that does not work - there must be spare capacity to produce more if there is a power station breakdown. Therefore, no matter what is done with the structure of Western Power, this State must retain probably 30 per cent spare capacity just to maintain an essential service for the people of this State. No other State is faced with that problem.

Mr M.P. Murray interjected.

Mr C.J. BARNETT: I have not got time. Even Tasmania will be interconnected, and it has its hydro resources.

Unlike the other States, this State needs to grow. New South Wales had 40 per cent excess capacity. Successive Governments built power stations that were not needed. This State has a growing energy demand, and it needs about 120 megawatts extra each year. It cannot be just another power station. It must be the right balance of base load - 24 hours a day, seven days a week - power generation, mid-merit plant for business hours and peak plant for those rare weekends when there are very high or very low temperatures. We must balance that.

This State also has a unique regional issue. I assure the House that no money is to be made in selling electricity into the wheatbelt. The cost of distributing electricity into regional Western Australia and the south west is a loss of \$150 million a year. The loss in providing electricity in towns such as Broome, Derby, Esperance, Meekatharra and so on is \$50 million a year. The other States of Australia simply do not face that problem. There is \$200 million a year of social expenditure to maintain an essential service - that is, electricity supplies - in regional and remote Western Australia.

Let us deal with Western Power. It is a business composed of three parts. Electricity must be generated and produced. It must be transported through a network or wire system to customers, and it must be sold. There is a retail contracting system. Members need to take a few reality checks when considering generation in this State. The first is that we are not talking about all of Western Australia. Western Power's so-called monopoly is in the

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south west grid. It is essentially Geraldton to Albany, with a line out to Kalgoorlie. On that south west grid, there is no doubt that Western Power is in a strong, dominant market position. It has 80 per cent of the generation on the grid. It is dominant. That is a historic reality. That is where we are today. We cannot get rid of that. That cannot be changed overnight. Of that generation, about 60 per cent is based on coal and about 40 per cent on gas. To the great credit of this State, it is more gas intensive than any other State in Australia. We are the cleanest energy producers in Australia; we should be proud of that and we should push it further. We also have ageing plants. About a third of Western Power's energy generation is carried out in plants that are 25 years old or older, and many of them are small - 120-megawatt units. We can forget that! We are in the world of 300, 400 and 500-megawatt units. This State has ageing, small units that run at a high cost and are inefficient producers of electricity. The thermal efficiency of gas is 62 per cent. The thermal efficiency of coal is 31 per cent, yet 60 per cent of our power generation uses coal, much of the plant is old and much of it is too small to be efficient. That is not of my doing, the Government's doing or anyone else's doing. That is simply the reality of where we are in 2003.

Let us consider fuel costs. The major cost of electricity is in the making of it - the cost of coal and the cost of natural gas. Coal contracts go back over 20 years; they are long-term contracts that do not expire until 2010. They are with Wesfarmers and Griffin. Coal in Western Australia is expensive, not because it is expensive to mine - it is more expensive than in the east coast and it is of lesser quality - but because there is a legacy of historical contracts. Currently, Western Power pays in the order of \$60 a tonne for some of its coal. The new Collie power station pays \$40 a tonne for coal. It is expensive coal and it is not real flash coal. On the east coast, which has the world's greatest coal export industry, coal is sold in the domestic economy at \$15 to \$20 a tonne. In other words, the bottom line - if members remember nothing else about what I say - is that we are locked into long-term coal contracts that mean coal in this State is three to four times the price of coal from the east coast. It does not matter what is done to the structure of Western Power; unless the price of coal is dramatically reduced, electricity prices will not go down to any significant degree, which is the whole point of this debate. Gas is available, but it must come from a point 1 500 kilometres away. If Western Power is separated as the Government proposes, and if it is done overnight, I predict that generation will not survive. Generation will have to be subsidised by the Government or it will default on coal contracts. We cannot pay \$60 a tonne for coal and compete. Older, less efficient coal power stations will not survive. Muja will probably not survive. Jobs will be lost in Collie and there will be a hiatus in terms of the reliability of power supply. What will the Government do? Will it let generation collapse? I suggest it will not. It will replace an integrated utility with one that is formed on back-to-back contracts. We are locked into coal contracts until 2010. The generation utility has no choice but to pay for coal. What will it do with the coal? It will burn it to produce electricity. What will we do with the electricity? It will be too expensive so it will have to be sold to retail. We may well have separate generation and retail, but they will be re-locked together by back-to-back contracts. That is absolutely inevitable and we need to understand the reality of that.

[Leave granted for the member's time to be extended.]

Mr C.J. BARNETT: To have real competition in electricity, real competition in generation and fuel contracts is needed. This Bill will not do that. How will this Government get real competition in coal contracts? It must take on the coal companies. I did that, and the previous Opposition opposed it. I got rid of underground coal mining. It was one step, but it was by no means the final step. The price of coal must be forced down and the price of gas must also be forced down from \$2.50 to \$1.80 - hopefully that will happen. If that is not done, we are whistling in the wind; we will not be progressing towards lower energy prices in this State.

Where will we get real competition? Let us think about it. Western Power right now generates 80 per cent of our electricity. Where is the other 20 per cent generated on the south west grid? Alcoa produces it for its alumina operation and Iluka Resources Ltd produces it for its mineral sands operation. They are not traders in electricity. They produce electricity and heat for their mining operations. They are not energy companies. They may sell or buy a bit on the margin, but their prime businesses are in alumina and mineral sands. All Labor Party members have disappeared because this is too hard for them. If members want to listen, the only way to get a true market is to have a significant number of buyers and sellers of electricity. That cannot be created by legislation. The market must be allowed to grow. Yes, there may be a number of independent buyers, but most of the large buyers of electricity in this State generate their own electricity. We are talking about hotels and shopping centres. There are no big manufactures here. The only big electricity consumers are the mining companies that have in-house generation. We will only get bits and pieces of buyers because there are no big manufacturing consumers. Who are the sellers? At the moment, there is no barrier to anyone building a power station. A couple of independents have done it such as Worsley and Mission Energy in Kwinana. There is also no barrier to AlintaGas or anyone else building a power station; they can do it and some have done it. However, the market must be grown. We cannot legislate for a competitive market.

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From generation to transmission to sales, there is one element of natural monopoly. A natural monopoly is something in which there will never be room for a competitive system. The natural monopoly is the powerline system. We will only ever have one grid of a high voltage and low voltage powerline system. When we were in government, we recognised that independent buyers and sellers of electricity wanted access to the powerline system, which is correct and desirable. We introduced ring fencing, which was all the rage at the time - it was being done around the world. We separated internally the operation of the powerline system and national guidelines and codes came into play. I can accept that independent power suppliers and customers are suspicious of a power transmission system that, even though it is ring fenced, is still a part of Western Power. As a minister and as the Leader of the Opposition, I have challenged companies to give me concrete examples of conflicts of interest. No-one has been able to produce to me a case of Western Power compromising that ring fencing, and I do not believe it has. However, I accept that ring fencing is not perceived to be enough. We must have totally independent management by regulation of the network system or we must go the whole hog and separate it. The separation of the transmission system is the next logical step in a series of steps of energy deregulation. As we have been saying for six months, the Liberal Party and I would support the separation of transmission and distribution. That is an expensive and complex process but it is worth doing. If we ranked the reforms the Government is putting forward, for most players and potential players in the industry that would produce almost all of what they want. People can rightly argue for a level playing field or for equal access to a transmission and distribution system that is regulated and priced independently of Western Power. If the minister were to accept that, he would have bipartisan agreement and he could put his name down in the history of deregulation as having taken the next significant, important and complex step, because every step is complex.

Mr E.S. Ripper: Do you also support the establishment of the market?

Mr C.J. BARNETT: Yes, we support the market - I will probably not get time to go into that. The market must be grown. We cannot create a market, particularly in Western Australia that has a somewhat skewed economic structure. We have to grow the market. At the moment there are bipartisan contracts and I hope that the Government can get multi-party contracts. However, that cannot be done overnight. Who are the buyers? They are there and they generate their own power. Who are the sellers? They are timid, and that is the reality.

The proposal to break up Western Power into four utilities is the great theoretical model. It does not address the coal and gas contracts, the cross-subsidies that have to be paid, or the lack of interconnection. They are serious issues. Members should think about the dilemma. This Government is saying that Western Power cannot be vertically integrated; generation cannot be related to transportation, which cannot be related to sales, yet AlintaGas will be both vertically and horizontally integrated. If Wesfarmers Ltd or the Griffin Coal Mining Company decided to go from coal production to power generation, they would be vertically integrated. What is going on here? Why is the Government saying to the one, large and strong energy utility in this State, which happens to be government owned, that it cannot be vertically integrated but that all its competitors can be? Surely, if there were any intellectual integrity and honesty in this debate, we would be saying that there would be no vertical integration across the board. We should be saying to AlintaGas that it must divest its vertical integration. We would be saying to Griffin Coal that it cannot go into power generation, and to Wesfarmers that it cannot buy into the pipeline. I do not propose doing any of those things, because they are stupid. However, why would we tell Western Power that it cannot be vertically integrated when all its competitors can be? At the same time, we are telling Western Power that at the end of the day it is responsible for providing electricity to loss-making customers in regional and remote areas, and for being the energy supplier of last resort. Western Power has the total social responsibility for elderly people, pensioners, schools, hospitals, country towns and remote communities throughout this State. It bears all the social responsibility but the Government is saying that it cannot be vertically integrated, while its competitors can be. Its competitors can pick the eyes out of the market but Western Power cannot touch it. How responsible is that? That is absolutely intellectually corrupt and inconsistent.

Western Power is the linchpin of our power industry in this State. The industry will change. Under a Liberal Government it would have changed. Western Power would have grown at a modest rate. The energy industry would have grown at a far greater rate. The nature of the industry would have changed. There would have been the development and evolution of independent power producers, independent power customers and a market trade in electricity. What the Government proposes is a theoretical piece of legislation that with a wish and wave of the wand will miraculously get rid of coal and gas contracts, problems of isolation, problems with remote communities and cross-subsidies overnight. That is naive. The Government should look at what was done with gas. Over five years, gas was totally deregulated and privatised in sequential steps. Electricity is far more difficult. At the time of the last election and during the time that I happened to be the energy minister, power generation in this State grew by 1 300 megawatts. One thousand megawatts were generated by private suppliers and 1 000 megawatts through gas. We were going towards greater private gas production. It was happening

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without blood on the floor. Power supplies remained intact and consumers continued to get a minimal rise in cost. It is a reality that the last electricity price rise for business was in 1991. Businesses had a 20 per cent price cut over that period - it is probably 25 per cent now. Householders had one price increase in 1997 of 3.75 per cent. They have had a 15 per cent cut. The system expanded and became more reliable. That is becoming taxing because of the age of the plant and the transmission system - it needs major investment. Essentially, we have had a stable system. I support lowering electricity prices, but that can be done only by addressing the real issue. Playing around theoretically with the market structure of Western Power will not address the fundamental issues.

I have two final points. The cost of this exercise is \$153 million. For what? What is broken? We heard today that \$6 million would not be provided to proceed with the redevelopment of Moora District Hospital. Where are the minister's social priorities? How can he say to the people of Moora that they cannot have \$6 million for health care but that the Government can spend \$153 million on an academic, theoretical exercise? It is unnecessary expenditure. The value of Western Power will fall by \$500 million at least. Where will that accrue? It will not disappear. It will accrue to the people who are sponsoring the legislation. It is a glittering prize. I say to the Labor Party and the minister that I understand the arguments for deregulation. I understand the disaggregation argument. However, as a member of Parliament and as the leader of a major political party of this State - the Liberal Party - I place on the public record that I have a responsibility to all people in Western Australia. My prime responsibility is to ensure that electricity is available to them as an essential service, is of the right quality and is affordable to all people in this State. What the Government is pursuing is a theoretical model at high risk.

This debate is not about whether there should be energy deregulation - there should be - but about how that should be done and the pace at which it should occur. What the Government is proposing will suit big business because it will share the \$500 million. The day this legislation goes through, if it does, big businesses will accrue increases in their corporate value of \$500 million. This will be the largest transfer of wealth from government to the public sector since WA Inc. Who is the advocate for the single pensioner in Bayswater? Who is the advocate for an unemployed or low-income person who is working in a country area? Much as I am a champion for private enterprise, I recognise that private enterprise is not interested in the pensioner in Bayswater or the unemployed or low-income worker in Beverley or any other country town. The minister should progress energy deregulation. He should take the step of separating out the network system. He will find that challenging enough. That will be the major reform - the one that should be made. It will deliver all the benefits that the protagonists require. The only other benefit in terms of splitting generation from retail is a pecuniary benefit. Make no mistake, that is what that is about. It is not about competition but about competitors of Western Power wanting its destruction so that they can profit at its expense. The Government should understand its responsibility for power supplies and reliability, and for progressive, orderly deregulation. The Liberal Party policy going into the last election, which everyone, including the prime industry groups, completely ignored, was for an orderly deregulation of electricity. That is what should happen.

**MR M.G. HOUSE** (Stirling) [8.47 pm]: I will begin by congratulating the Leader of the Opposition on what was a well thought out and eloquent speech. There are few members of this Chamber who have his knowledge of this industry.

Mr C.J. Barnett: Look at the backbench on the other side. The biggest decision they face!

Mr M.G. HOUSE: Perhaps they did not realise that the debate was so urgent that they had to be here to listen to it.

The National Party intends to oppose this legislation. I will go into some of the reasons for that and the detail of why we intend to oppose the legislation a little later. This issue was debated at some length at our party conference this year. It is not just about the proposals that are before us in this legislation, but also issues of reliability, continuity of supply, the quality of that supply and, perhaps to some extent, the cost of that supply. I will outline that in a little more detail. Our party conference passed a motion -

That the National Party opposes any consideration of disaggregating Western Power until power supplies in regional areas are reliable and a mechanism is developed to ensure that future infrastructure and generation is reliable and affordable, with supply charges based on the current tariff arrangement.

That motion very clearly signifies why we are opposed to this legislation. As I said to a few people earlier today, I broadly agree with the principles of the legislation; it is very hard to disagree with them as they stand alone. However, the issue is how they will be enacted, what the responsibility of the various entities will be, how they will carry out that responsibility and what the end result will be for the consumer. Members of organisations such as the Chamber of Commerce and Industry, the Chamber of Minerals and Energy and others argue that it will be good for them and there will be some benefit in driving down costs. However, the minister himself, in an

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article in the paper two days ago, was quoted - I understand correctly quoted - as saying that he would not guarantee that there would be any reduction in energy charges; he was not prepared to say that there would be a reduction. If that is true, I ask what are the key principles of this legislation and what will it achieve? We all know that the legislation proposes to create three new state government-owned businesses to service the south west interconnected system - SWIS - through generation, network and retail sections, all of which will have different responsibilities. The Electricity Corporations Bill 2003 is the main enabling legislation that will disaggregate Western Power under the current corporatised model that was put in place when we came to government after the 1993 review, and has been in place since then. The Government sees some urgency in passing this legislation through the Parliament and wants it passed by Christmas. That is broadly the current situation.

The minister's prime aim, as he has stated a number of times, is to create competition in the marketplace, which he believes will be good. He believes it will perhaps drive down prices, but he is not prepared to commit to that belief. He has not said anything about the reliability of supply. He has not said anything about the quality of that supply. He has not said anything about the upgrading of what we call the poles and wires - the distribution network - in regional and rural Western Australia. He has not said anything about all the small businesses in the community that want an increase in the energy supply - that is, a greater amount coming down the line so that they can run more modern appliances. He has not said anything about the power that goes off, for some people on a regular basis, when the system is overloaded. He has not said anything about how he will improve the reconnection of that supply when that happens so as to reduce the time frame for reconnection from between eight and 40-odd hours while people become frustrated at the loss of business time and quality products in their homes. None of those matters has been addressed in this legislation.

What is the issue about power? I guess power is, in a simple form, the way we live in rural Western Australia. It is the lifeblood that allows us to live a lifestyle somewhat equivalent to that of our cousins in the city. It allows us to have televisions, welders, electric wool presses and modern aids of all sorts to give us a reasonable standard of living. I put power up there along with roads, education, medical services and other key services. Power is one of four or five of the most important things to people in rural areas. If they did not have an energy supply their quality of life would be considerably diminished. However, nowhere in this legislation does the minister indicate that the supply might be improved by this legislation. Nowhere does the minister indicate that the reliability and quality of power will be upgraded. He does not even mention that the price will be lower. I will repeat more than once in this speech that price is not the issue for the National Party. Most rural members of Parliament would not have had too many complaints from their constituents about the cost of energy in isolation, as opposed to the reliability and quality of the supply, which are the issues for us.

What is the Government's point in introducing this legislation? How did it come to this point of view? I guess the Government has not been able to hang its hat on too many things and so it thought this would be a good idea for getting the Chamber of Industry and Commerce on side and that it could get Lyndon Rowe to say some nice things about it. I have some news for the minister: Lyndon Rowe has never said anything nice about anybody. He certainly has not said anything nice about us and I am certain he would not say anything nice about the minister. I have not heard Lyndon Rowe say one word about country people, despite the fact that the Chamber of Commerce and Industry has a lot of country-affiliated members. The National Party has had two briefings with the Chamber of Commerce and Industry and asked it about small businesses in Lake King, Jerramungup, Gnowangerup, Mt Barker, Wongan Hills -

Mr R.N. Sweetman: And Joondalup.

Mr M.G. HOUSE: And Joondalup. The Chamber of Commerce and Industry has not mentioned any of those places; it is not interested in them. It is interested in big business in the city. If this legislation is designed to get the Chamber of Commerce and Industry onside, I reckon it will bob up and whack the Government the moment the legislation gets through the Parliament.

What about the union movement, which stands to lose jobs and does not stand to benefit one iota from this legislation? Many unions have indicated to us that they do not support the disaggregation of Western Power. There are some pretty sensible people in that movement, who were part of the review process and part of the minister's task force. They were involved in discussions with business and industry, as modern unions are these days in a sensible way, and they cannot find any benefit. Who will benefit from this legislation? I have not heard any great public outcry in my electorate for this legislation, putting aside the Chamber of Commerce and Industry, which is city based, and the mining industry, which for some reason is head over heels in love with the idea because it thinks it might make another quid. Perhaps it might. However, what about all the other people involved?

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I would put this legislation somewhere in line with the Perth to Mandurah rail line; it is high on the agenda of things that this Government wants to do that people do not want. There are now two major projects that people do not want: the disaggregation of Western Power and a railway line from Perth to Mandurah. The Government has another 12 months to think of a few more things we do not want that it can foist on us. If there were a meeting of all the people who do want this legislation, they would fit into a small telephone box. There is just no clamour for this legislation.

I wondered how the Government came up with this idea until I thought about John Langouant at Treasury; then I understood where some of these crazy ideas came from. Treasury, I am sure, has driven the theory for this legislation. The theory of the legislation, that I am sure came from Treasury, is that there will now be new participants in the energy industry and the distribution network - that is, the poles and wires - separated from generation, which it is said will create new players in the industry. The theory is also that if there are any problems there will be an access code for an independent regulator to assess any company that wants to get into the business. The regulator will then make a judgment about whether that company should be allowed to provide energy into this so-called independent system. It is said that there will be fierce competition to do that. Gee whiz! I have not seen anybody line up to supply power to Lake King. I do not foresee too many people building a line at Lake Grace to supply power to Lake King; nobody has told me that they will. However, I will tell the House what we were told. We were told that if that were a problem, the company might put a generator in Lake King. That will take us back to the 1950s and 1960s when every little country town and every independent farm had its own power supply. They will be all over Western Australia and they will bob up wherever someone else will not supply or generate the power. We will therefore go back 40 or 50 years. The speeches of the day in this Parliament 40 or 50 years ago in the 1950s and 1960s, when the issue of an integrated network for supply to south western and regional and rural Western Australia was debated, indicate that the politicians of the day believed the people in those small towns and rural areas had a right to a regular power supply. They appropriated the money and started to build that supply, which gradually went out into rural Western Australia. Those of us who were farming out there contributed to the supply through a cost-per-farm connection. The independent power houses were later taken over by local authorities, which I think were still road boards then, but some may have changed to shires at that time.

The politicians of the day knew, and their belief was, that they had a community service obligation. This Government is walking away from that community service obligation. The Government believes that because 83 per cent of the population of this State live in the greater metropolitan area and in larger towns such as Mandurah, the 17 per cent of us who are generating and creating the wealth, and who live in those small communities that are struggling, can probably do without; and, if we cannot, too bad. It is a bit like the situation with Moora hospital. The Government is saying to the people of Moora, "Too bad. You can make all the noise you like, but we are not all that interested. Keep talking, but we probably will not even bother to listen to your views." That is where we have got to. That is a pretty sad situation.

I want to stress that the cost of the provision of this service is not the issue. Governments provide roads, schools and education. That is why we are elected by the people and are in this Parliament. That is why we raise taxes. What we do as a Parliament is appropriate the money of the public - we take it off the public by legislating. We then redistribute that money across a range of services that we believe are appropriate to redistribute it across. High on that list are schools, hospitals and roads. Why should not power also be high on that list? I have said that power is the lifeblood by which we live. It is the network that gives us modern facilities. It allows us to watch the football on a Saturday afternoon when the people who live in the city can go to Subiaco Oval. It allows us to use modern techniques in our farm businesses and our small country town businesses. It allows us to have microwave ovens and all the modern appliances that a housewife needs to live a reasonable life. This Parliament, having appropriated the money from the people whom we represent, has a community obligation to redistribute that money in a fair and equal way. This debate is a bit like the debate about Moora hospital. It is amazing how many city people have said to me that the Government has done the wrong thing by the people of Moora. They understand, as much as sometimes we do not think they do, when people in rural areas are being dealt with unfairly. If we put up a fair and reasonable representation, people in the city understand that and are prepared to be lenient and make some allowance for that. Just as in the case of Moora hospital, the people who live in the cities of Western Australia understand that we are being disadvantaged by this legislation, and they will cast their vote accordingly at the next election.

I have already indicated that there is no great clamour for this move. Although the principles behind this legislation are fairly easy to agree to, the problem lies in the way in which this legislation will be enacted and will operate. I would be the first to put up my hand, as a former cabinet minister in the last Government, to say that we did not do enough when we were in government to upgrade the distribution network in Western Australia. It is fairly easy to say in hindsight that we should have done more. As time has gone on, the

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distribution network has deteriorated very quickly. What can we do about that? Currently the Government appropriates money from Western Power, puts it into the consolidated fund and redistributes it. It is not as though Western Power runs at a huge loss. It actually makes a reasonable profit. That money can be redistributed to where it needs to be redistributed; that is, to upgrade the network. One example of that is decentralisation. For years Governments have preached about decentralisation and about creating jobs in the country. If people in the country want to start a small business that requires a certain amount of energy to come down the line to run whatever appliances they want to run, they need an adequate and reliable power supply. At this time the network is not good enough to provide that supply. As a practical example, my home town of Gnowangerup has just lost two businesses - Southern Wire, and Gnowangerup Roof and Glass. Southern Wire produces all sorts of fencing wire that is used by farmers in rural Western Australia. In order for Southern Wire to stay in business, it had to increase its production. However, in order to do that, it needed to get more power down the line. It was as simple as that. It was not able to do that under the existing network, so it closed the business, and 17 families moved out of that small country town. Gnowangerup is my home town, so I feel pretty strongly about that. That is a fair and reasonable example of the sorts of things that are happening all over rural Western Australia. That is the issue that we need to address. This legislation does not do anything about that issue.

[Leave granted for the member's time to be extended.]

Mr M.G. HOUSE: As the Leader of the Opposition rightly pointed out, this legislation not only represents the greatest transfer of wealth by any Government in a long time but is also probably one of the most important pieces of legislation, from a fundamental principle point of view about the way we operate as a group of people representing others, that has occurred for a long time. This legislation also questions our fundamental commitment to things like decentralisation, and our fundamental belief in how rural Western Australia wants to live. If we want people to live in rural Western Australia and operate in a fair and reasonable way, we need to provide them with the necessary infrastructure. There is no guarantee of cost reduction. No-one has suggested that there is any guarantee of that. There will be some competition, undoubtedly, at the generation end of this exercise. However, no-one has said much about the distribution network. It is no good generating power if we cannot distribute it.

Mr C.J. Barnett: You will not get competition in Gnowangerup.

Mr M.G. HOUSE: That is absolutely right. A while ago I made the point that when the task force briefed us, its answer was that we could set up a small generator, and that would solve the problem. As I said at the time, that would take us back 40 or 50 years. We agree that we have an ageing distribution network. However, this legislation has no answer to that. It does not propose anything to address that issue. There have been two large meetings, as you know, Mr Acting Speaker (Mr J.P.D. Edwards), around rural Western Australia in the past two months - one in Koorda in January, and one in Jerramungup last week. I attended the meeting in Jerramungup, along with 150 other people. At that meeting, no-one talked about cost. Everyone talked about reliability and quality of supply. They did that in a reasonable, sensible and structured way. What they wanted from us was an answer about how it would happen. We have come to this Parliament today to debate Western Power and its future. However, the Government has not proffered any answers at all. We want a reliable and good quality supply to come down the line. It may seem a bit strange, but we are not worried about the cost of production. We are prepared to pay more for the service if need be.

Where is the support for this legislation? It does not come from the community. It does not come from rural Western Australia. It does not come from the suburbs in greater Western Australia. It does not come from the union movement, which is interesting. It comes from a small group in the Chamber of Commerce and Industry of Western Australia, and from a small group in the mining industry. I cannot see how the Government can justify this legislation if that is the case. This legislation is really an overkill to fix a problem that can be fixed under the current legislation. The current legislation for the current corporatised Western Power enables the Government to do all of the things that it wants to do. There is no need to introduce this legislation. Those members who will be speaking later tonight and tomorrow would find it interesting to see what can be done under the Western Power legislation. That legislation makes provision for the minister to give instructions to the board, albeit that it must be in writing and the Parliament must be advised. The legislation also makes provision for competition in the market, albeit that Western Power is pretending that that will not happen, by making all sorts of silly suggestions about pricing and about how it will make access difficult. I am absolutely certain that if the minister were to give Western Power instructions to make sure that that happened, and were then to inform the Parliament and garner the strength and support of the community and the union movement, that could be done under the current legislation. There is no doubt in my mind that the Government could achieve all of the things that it wants to achieve, and we could achieve all of the things that we want to achieve, under the current legislation. I need to keep remaking the point - because it is remade to me on a daily basis in my electorate - that



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we want a reliable and good quality supply. I stress that although the principles in this legislation are hard to argue with, they are embodied in the existing legislation.

We will oppose this legislation because it does not offer any solutions for the issues that have been raised with National Party members by their constituents. The minister should send his staff away some time tonight and tomorrow to answer some of the issues that the Leader of the Opposition and I have raised. The minister would find that, with a few amendments to guarantee some continuity and reliability of supply, he would probably get this legislation through this Parliament. Although it will pass this House on the numbers, he does not have a hope in Hades of getting it through the upper House. There will be sensible and reasoned argument in that place about why this legislation should not succeed. The minister would then be seen to have failed, whereas he could be seen to be successful. It will not take much to do that and to pull the legislation over the line the other way.

Mr E.S. Ripper: State what you are suggesting.

Mr M.G. HOUSE: I do not want to be disrespectful, but the minister has been talking to one of his colleagues for most of my speech. I have been here a long time, and I can take that, but I have already outlined the things that should be done. I do not want to be disrespectful, but it gets back to providing some guarantee to us that the distribution network will be upgraded and that there will be an absolute guarantee in the legislation that the amounts of money needed to do that will be appropriated. People have done some figures on that, and I am sure the minister has seen those figures. People have made some suggestions about how it could be done. I suggest that if the minister can answer those questions, he has a chance of getting this legislation through the Parliament. If he does not, he will not get it through.

Mr E.S. Ripper: Your party has only one vote in the upper House. If you could deliver five, we could have a discussion.

Mr M.G. HOUSE: The Government does not have enough votes in the upper House. One vote is not the issue; the issue is enough votes - one more than half. The Government does not have one more than half. I get a feeling that the High Court pointed that out to the Government the other day! The run-up to Christmas will just get worse for the minister. I do not see any light at the end of the tunnel.

Mr E.S. Ripper: I have been enjoying politics recently!

Mr M.G. HOUSE: Is that so? I can tell the House that we enjoyed politics last Thursday. It was very pleasant. I will tell the minister where he will not enjoy politics. I challenge him to come to regional Western Australia with me. We will call more meetings in Koorda and Jerramungup, and wherever else the minister likes, to debate the power issue. Will the minister accept that challenge?

Mr E.S. Ripper: I am happy to debate the power issue.

Mr M.G. HOUSE: Out in the regions?

Mr E.S. Ripper: Yes.

Mr M.G. HOUSE: If I set up a couple of meetings in the bush, will the minister guarantee to attend?

Mr E.S. Ripper: I cannot guarantee that I will attend, because you set up the meetings and tell me the date after you have set them up. At the time of the Koorda meeting I was in Karratha and at the time of the Jerramungup meeting I had duties in Perth.

Mr M.G. HOUSE: The minister can pick the date and we will deliver him the crowd. I guarantee that it will be a big crowd. We will all be there. I will even bring the member for Moore, because he has an interest in this. He might bring a couple of bricks!

I have had a fair spin, and other members wish to speak. I have outlined the case of the National Party in a reasonable and structured way. If those questions could be answered, we could rethink our position, but our current position is that, given the face of this legislation, we will not support it.

**MR R.N. SWEETMAN** (Ningaloo) [9.14 pm]: As this is one of the most significant pieces of legislation to be dealt with in the life of this Government, I am very anxious about the way in which the debate has been brought on. It has been argued that as it was due to be debated on Thursday, what is the difference of a couple of days? There is a significant difference when the legislation is brought on at 8.00 pm on Tuesday, the first sitting day of the week. The public may not be aware that members do not start when the Parliament starts. Most of us were probably at work, in briefings or whatever, by 8.00 am today, so by 8.00 pm most of us had already done close to 11 or 12 hours work. The indication from the Leader of the House and the minister is that the House will progress through and complete the second reading debate on this legislation tonight. That is grossly unfair to members on a piece of legislation as significant as this.

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I take on board the points made by the minister about offers of briefings and things like that in the past. I am unaware of some of those briefings. Over the past three to four months I have made most of my own way in contacting people to try to get further and better particulars on the implications of the break-up of Western Power. The Opposition comes into this Parliament as the contradictor. Most of the briefings that have been offered to us are from people who are there to assist the Government in prosecuting the case. The Chamber of Commerce and Industry and the Chamber of Minerals and Energy are at the forefront of that, and I concur with the points made by the member for Stirling in his contribution. The way those organisations have compiled information and presented it to us is a mark of disrespect, if not of contempt. In almost every instance, that information has been shallow, flawed or skewed to present a certain argument. In no way does it present the complete argument, to the extent that the Leader of the Opposition and the member for Stirling did in their contributions. A whole range of other public issues are involved in this debate.

I am of the view - I am encouraged by what the member for Stirling has said - that when this legislation gets to the upper House it will be defeated. I wish I was confident, but I am certainly optimistic, that that will happen. I made the point to my colleagues this morning that I do not want to see this legislation sent off to the Standing Committee on Legislation and held up any further. As far as I am concerned the situation in Western Power at the moment is terminal.

Mr E.S. Ripper: Terminal?

Mr R.N. SWEETMAN: Yes, because of this indecision. Western Power has been dying the death of a thousand cuts, and this legislation is almost the final act. The Government has constructed an environment, and key appointments in Western Power have been made, to ensure that the Government will impose its will across Western Power and that Western Power will be broken up. Dr van der Mye and Steve Edwell have been employed not to have opinions of their own in this situation but to impose and enforce the will of the Government.

Mr E.S. Ripper: Mr Edwell is not an employee of Western Power; he is the director of the electricity reform implementation unit in the Office of Energy.

Mr R.N. SWEETMAN: He has been brought in to do a specific task. In other words, we are going through this process. Western Power is in a very vulnerable position, and I am very keen to see this legislation go through this House, get to the upper House as quickly as possible and then be knocked out. I would then like a committee of this Parliament to determine how the reform will progress from there. I am in favour of reform and evolution within Western Power. In fact, I have come a long way in my estimation of Western Power. Prior to becoming a member of this place, on the basis of my dealings with Western Power, I, and a lot of other people in country areas, did not have a high opinion of Western Power. After corporatisation and the separation of the State Energy Commission of Western Australia into AlintaGas and Western Power, it was clear that that process was ultimately aimed at privatisation. I believed back in the mid 1990s that privatisation of Western Power was as necessary as it was inevitable. I changed my mind over time because I give some credit and recognition to the revolution that has taken place in Western Power, and the efficiencies that have been delivered under corporatisation. To a large extent, that has gone unnoticed. In government, and perhaps even in opposition, we have not paused long enough to recognise some of the very significant changes that have taken place within Western Power.

In starting my contribution, I should perhaps quote someone like Edmund Burke who, for many noble reasons, expressed his strident opposition to the French Revolution. One of the points he made was that people are entitled to reforms of actual grievances. As the member for Stirling told us earlier, a queue of people have not come to him saying that Western Power should be disaggregated. No-one, other than the Chamber of Commerce and Industry and the Chamber of Minerals and Energy or industry that has been circularised by its peak representative group, has come to me and said that we must disaggregate Western Power. I am of the view that those organisations need to give us examples of how Western Power is disadvantaging them in their industry, their desires to expand and the price of energy for their particular business. It is very hard to get behind the veil of some of the contracts that Western Power has signed with some industry groups in this State since it has been allowed to do so under corporatisation. There is no question that potential private power plant builders and energy providers are unhappy that Western Power is able, under a contracting arrangement, to do deals with industry. They see that as their domain and they want that business. They are incensed that the structure of Western Power enables it to deliver cheap energy to those businesses. I would like to know what some of those prices are because then I think we could more ably combat the arguments from CCI and CME.

I found it interesting talking to a chief executive officer of a large resource house in this city the other day. He does not want to be named, nor does he want his organisation to be named. Western Power has always supplied his company's power requirements; he has never gone to an independent power provider. He has tendered the

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company's power requirements every two or three years, or whatever the situation has been, and he and his company have chosen to use Western Power. The other day he told me that his company would not be going with Western Power on this occasion. Even though the Western Power bid was better on every account, the tender was qualified because of the uncertainty hanging over Western Power as it is currently structured. That is an absolute tragedy. It may be two or three years before Western Power has the opportunity to rebid for that customer's requirements. I do not think that is reasonable because it is a state-owned utility that is doing more than providing cheaper power to industry. It is also providing a community-service obligation, as has already been stated, to the broader community and to most constituents in Western Australia.

Serious problems will arise if this legislation is held up even further in a committee of this House or the upper House. A decision must be made. When the decision is made - I hope it will be in the negative - I hope that that will not be an end to the reform process. Perhaps Parliament can refer this matter to a select committee or to one of the standing committees. Perhaps, if necessary, a ministerial inquiry will get to bottom of this issue and determine where we need to progress from here with energy reform.

Mr E.S. Ripper: I established the Electricity Reform Task Force for precisely that purpose. It consulted and produced a draft report and a final report. We have been through that.

Mr R.N. SWEETMAN: We are best placed because we are elected by the community to represent its interests. I do not think the public interest has been sufficiently taken into account in this argument. Certainly, the interests of big business have been taken into account. As I have said already, CCI and CME are coming out of the red corner representing self-interest or those who stand to be advantaged through the disaggregation process. The Leader of the Opposition referred to the tendering for the base load power station, which is now set to come online. It is of concern to me and to any reasonable thinking person that bodies such as Griffin Coal, Mitsui, Wesfarmers and J-Power could be bidders for that base load power station, because they are vertically connected. They are fuel suppliers and ultimately they will be energy suppliers if they are the successful bidders. For the moment I will leave to one side the question of a dual fuel policy, because in a perfect world we would want new coal technology to win that base load to ensure that we are hedging our bets in relation to the various fuels. Notwithstanding what the Leader of the Opposition said about gas being a cleaner fuel, it is my understanding that the emissions in the new coal technology are equal to those from gas, taking into account the emissions created by transporting the gas from the North West Shelf down the Dampier to Bunbury gas pipeline to the power stations near Pinjarra or Collie. If we apply the standard, which the Leader of the Opposition alluded to, that Western Power cannot be vertically or horizontally integrated, that standard must also be applied to private enterprise. I am sure that it will not be too accepting of that, because it is already chanting that we cannot have a government-owned monopoly that is vertically or horizontally integrated. However, there is some justification in my mind, and in the minds of most reasonable members of Parliament, that that is not a bad scenario considering the universal service component of Western Power's charter.

Mr E.S. Ripper: There is a significant difference between Western Power's position and the position of private competitors when Western Power has 80 per cent of the generation capacity on the grid. If you really want a competitive market, you have to do something to convince potential competitors that they will not be run over by the dominant producer.

Mr R.N. SWEETMAN: Reference has already been made to Western Australia's unique circumstances. It does not have a network or transmission system that crosses borders. We will never have, certainly in our lifetime, a totally interconnected system where west meets east. Our circumstances are different. We have a low population base and massive infrastructure. I think the rule of thumb is about 16 customers per kilometre of distribution line, versus about 72 in Victoria. Western Australia has unique circumstances. Even though the argument from industry is that Western Power is too dominant because it has 80 per cent of the power distributed through the network system, the first thing a private generator will want to do, certainly in the future, is to sign a contract with Western Power. It is fine for the private generator to connect with other customers. There may be 1 000 or 2 000 with whom it can connect. However, depending on the size of station that is being brought online, the first player it will want to sit down and talk turkey with is Western Power. It will require Western Power to pick up a major part of its generation capacity for it to be viable. That is the angle from which many of the would-be generators are coming. They are saying that Western Power will have to allow them to muscle in on its network. In talking about separating the networks - I digress for a moment - I cannot see why we must rush to do that when the Economic Regulation Authority has been set up to ensure fair play and fair access at a reasonable price to that network system. I do not know why there is a rush to break up Western Power to the extent that the minister is indicating.

Mr E.S. Ripper: The whole purpose of establishing a market is not to have people supported by power procurement or power purchase agreements. The purpose is for them to find their own customers, to take that market risk and to make their investment on that basis.

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Mr R.N. SWEETMAN: That will take time. The minister is taking a very radical step, and he cannot assume that all that will fall into place of its own accord.

Mr E.S. Ripper: Examine the position of the Liberal Party at the moment, which supports a three-way split of Western Power. The Government's proposal is for a four-way split. Basically, what it boils down to is that you're saying retail should stay with generation. That is the point of difference between us at the moment. Why should retail stay with generation? Would we be saving money? No. So what is the argument?

Mr R.N. SWEETMAN: They are the views of the Opposition. I have certainly made my views on this matter very clear and I support a single entity. The Parliament as a whole needs to take a position.

Mr E.S. Ripper: We now have at least three different positions in the Opposition: the official position, the position of the member for Kalgoorlie and your position.

Mr R.N. SWEETMAN: No. The party will take the position that the minister has just enunciated. Industry must be seen for what it is in this argument. The Leader of the Opposition was right to make some comparison with the WA Inc days. I cannot help thinking that the Government is getting very close to that situation, but we as a Parliament are not getting our hands as dirty in this process. There needs to be a separation and a clear distinction and understanding between government and business of where the lines are drawn. There is no question that this legislation will advantage a particular group. That group is the big end of town; it is large industry. As I said earlier, there is no queue of people telling me that they are being disadvantaged or are suffering as a consequence of doing business with Western Power to supply their power requirements.

[Leave granted for the member's time to be extended.]

Mr R.N. SWEETMAN: I will go through some of the case studies that the Chamber of Commerce and Industry of Western Australia and the Chamber of Minerals and Energy have provided to the Opposition as justification for agreeing with the Government's legislation. It is interesting to go through the three case scenarios they have given us. The interesting scenario is their reference to Kalgoorlie and electricity reform in microscale. They refer to the goldfields gas pipeline and the 175 megawatts of gas-fired power generation in that area. Interestingly, one of the assumptions that the CCI and CME have made is that there will be more business expansion and investment if there are lower power prices. We have a \$400 million or \$500 million gas pipeline - the goldfields gas pipeline - and we have had another \$200 million investment in power generation. Why? That did not happen because power prices were low. That pipeline came on line because power in the Kalgoorlie-Boulder area was expensive and unreliable. That in itself stimulated that development and that investment. Suddenly, there is an opposite set of principles to those that commerce and industry are espousing as the prime reasons that investment took place in that area.

The CCI and the CME went on to give arguments about the difficulty Normandy had in trying to sell power from its gas turbines to Western Power. That is interesting as well because, again, the argument is skewed. When members see all the detail of the reasons there was a problem, it becomes very clear. For a start, we can argue if we like about the supply standards for power. They can be negotiated. We can rule on whether the bar is set too high and needs to be lowered to allow more competition and more suppliers into the network. In the case of Normandy, when Rob de Crespigny was negotiating with Western Power, he was clearly unhappy with the access regime - the price that had been gazetted for access to the network. Western Power had problems with his generators conforming to supply standards, particularly under fault conditions, so there was an impasse. Rob de Crespigny persuaded many others that he was disadvantaged in this process and that Western Power was, to an extent, unfair or even corrupt in not allowing his company access to the network system and to sell to customers in the Kalgoorlie-Boulder area. Fortunately, along came Newmont Australia, which bought out Normandy. That was a pretty good exercise and within two months the problem was resolved. What was an impasse, an impossible situation, in the mind of Rob de Crespigny was amicably resolved with Newmont. What happened? Nothing. The tariff remained the same. Newmont came in with a different mind-set, looked at it realistically, said that it was a realistic deal and took it.

The CCI also made reference in briefings to the fact that consumers effectively are copping it in the neck because shopping centres are paying far too much for their power. What it did not go on to say, and I guess what it assumed we did not know or would not find out, is that a unique set of circumstances applies in Western Australian shopping centres. It was very interesting to talk to the previous Treasurer in South Australia and the shadow Minister for Energy in South Australia about this matter. I spoke at some length to Coles and Woolworths about this issue. In the end Woolworths was quite forward in its views on the energy environment in Western Australia. It does not have a problem with competition in Western Australia. It is ambivalent about energy reform. Its real concern is that it does not get access to the network. It does not have an account with Western Power. It is effectively sold power by its landlord - the shopping centre owner. I found it an interesting set of circumstances. Woolworths knows that it is copping it in the neck because of that. I said to this chap that

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it must make a change that Woolworths is getting screwed. He said that it did and that Western Australia is the only State in which it happens. That must be given some consideration as well, because it is not just Woollies or Coles. Every retailer in a shopping centre arguably is paying too much for their power, because the shopping centre owner is retailing power to all the lessees. It leaves the shopping centre owner, with his huge requirement for power for all his tenants, to do a deal with either Western Power or a private provider. Who knows what the mark-up is for that. The shopping centre owner may be getting power for 12c and on-selling it to his tenants for the uniform tariff or for a percentage on top of the uniform tariff.

Even in the event that retailers like Coles and Woollies and others are able to connect directly to the network and get cheaper power, there is an argument about what they do with the profits. Can we assume that whatever savings they make will not just go on to the bottom line and be spent over east on a new shopping centre or in dividends to shareholders? What is done with the profits? That is their business. Exactly the same can be said about the enterprise value and, more particularly, the profit that Western Power currently generates. We need to look at this issue and be practical about it, because at the moment taxpayers in Western Australia are being unfairly burdened with taxes. Certainly, under this Government taxes have increased year in, year out. Western Power should not be seen as a profit-making organisation. In a perfect world, whatever profit a government utility like Western Power makes should be reinvested in the network to ensure that the best possible service is delivered to the people who effectively underwrite the business. Even if Western Power does not generate a profit, it retains enterprise value, which will never be realised unless the Government sells something, and I am not advocating that. I am simply saying that the opportunity is there for us. Even if it returns a modest profit of \$50 million, \$100 million or \$200 million, it is less money that the Government needs to tax the constituents of Western Australia. That is a reasonable proposition.

In relation to the uniform tariff, the CCI and CME have been at pains to stress to us that the cap will remain. To an extent, the minister also has said that the cap will remain, but for how long?

Mr M. McGowan: We reinstated it, and you are asking for how long.

Mr R.N. SWEETMAN: In relation to the 300 000 unit-plus customers. The member for Rockingham must understand that, in this exercise, it is just a matter of time before the uniform tariff increases.

I return to my discussions with my South Australian counterpart. After considering what happened in the sale process in South Australia, and trying to investigate why the residential customer has been disadvantaged more than anybody else, it is obvious to me that South Australia has experienced problems. That has come through in several of the briefings I have had with some of the industry groups, particularly prospective power suppliers.

We have talked about cross-subsidies used to cover debt for regional services. The \$50 million worth of losses in the regions has effectively been paid out of Western Power's profits. It is quite reasonable that those losses be recorded against the areas in which the losses are occurring. If it requires a community service obligation from Treasury, it can do that after getting profits from Western Power and distributing them back to that side of the entity so that it is a completely transparent process for those who have a hang-up with cross-subsidies. That argument is separate from the issue that has surfaced in the past month or so on cross-subsidisation. There is a general belief among generators that residential tariff customers are being subsidised across the board. We must understand the implications of that. I asked the people concerned to run me through their concerns. They explained that residential customers cannot control their requirements or load. They get up in the morning and put on all their appliances; there is a massive peak in demand and power consumption. People go off to school or work and the demand subsides. When people come home in the evening the demand fires up again. That is the way of life; it is the way people organise their time. It is a reasonable expectation for people to continue to get power at current prices and not be seen to receive a cross-subsidy from other power consumers. That is one of the excuses given in South Australia for the increase in the cost of power from 14c to 20.7c a unit. When the South Australian asset was sold, it was done with the provision that power would increase in line with the consumer price index for the first four years. Immediately after that, the Essential Services Commission of South Australia - the regulator - deemed that there could be a 25 per cent increase in the cost of power. There is now a massive public interest argument being developed to the Essential Services Commission for a 10 per cent reduction in the cost of power. That is an absurd situation but it is one that will be visited on us in Western Australia if this legislation goes the way I believe it will. The fact that this is not a privatisation similar to that in South Australia has nothing to do it.

Mr M. McGowan: It is not a privatisation.

Mr R.N. SWEETMAN: No, it is not a privatisation but, effectively, it is a partial privatisation without any of the benefits. The enterprise value, as stated, will be gifted to those who will be lucky enough to participate in the power supply process.

Mr M. McGowan interjected.

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Mr R.N. SWEETMAN: It is a valid argument. Western Power is unable to tender for any of its own power requirements; certainly anything over 100 megawatts. That is playing into the hands of the private power generators. Once all the generation is owned privately, there will be the same sort of manipulation that goes on with tightening supply and demand to meet a certain end. That occurs in every other jurisdiction. That seems to be manifest. I do not know how the minister will safeguard those types of things.

Mr E.S. Ripper: We have a net pool but others have gross pools. They are more vulnerable to that sort of gain.

Mr R.N. SWEETMAN: Will the minister consider allowing Western Power to get back into the game? Under national competition policy, nothing should preclude Western Power from being able to bid for its own power requirements. If the Government wants genuine competition, why can the industry not be structured in the same way as AlintaGas - when it was government owned - which won the gas distribution and reticulation contract in Kalgoorlie-Boulder? Why can Western Power not bid against Wesfarmers or Griffin Coal Mining for its own power requirements or any power requirements? Why can it not just provide a bid? Under competition policy, that can happen because rules of competitive neutrality are applied in the assessment process and the best bid wins.

**MR T.K. WALDRON** (Wagin) [9.44 pm]: This package of Bills proposes to restructure Western Power by creating four new corporations to provide electricity to the south west interconnected system and regional areas outside the grid. As has been said, this is very important legislation for the State. Since I have been a member of this place I have always tried to be quite particular with important legislation. Obviously, I would have liked more time on briefings with this legislation. When I considered what I would say on this Bill, it became quite simple. I agree with the member for Stirling: I have no problem with the basic principles of this Bill; however, the crux of the matter is that nothing in the legislation can guarantee reliability, continuity or quality of supply to country Western Australia.

Mr M. McGowan: How is it at the moment?

Mr T.K. WALDRON: I will come back to that. I oppose this Bill because it does not provide that. I will answer the member's interjection later when I get to that point. I will stick to what I am talking about now. One of the most crucial elements of this reform for National Party constituents is the quality and reliability of electricity supplies to regional areas. They are not great at the moment, but I will come back to that. That was made very clear at the National Party conference and the meetings about electricity I have attended across country Western Australia. There is no doubt that that point has been made very clear to us. I acknowledge there are lots of problems with Western Power at the moment. The unreliable nature of electricity supplies in regional Western Australia has been a troubling issue to us for some time. The Energy Safety Directorate has delivered two damning reports that show that residents in more than 65 towns are dissatisfied with the service they receive from Western Power. As a member representing an electorate in the great southern, that is brought home to me every day. The National Party was instrumental in bringing problems such as 80-hour power failures and falling powerlines to the notice of the directorate. A meeting was held in Koorda in January attended by more than 250 residents. The residents gave first-hand accounts of their experiences. As a result, the directorate formally investigated 270 complaints. They included lack of maintenance work, fires caused by the collapse of lines, long supply outages, failure of electricity supplies on a regular basis, run-down network infrastructure and the need for more Western Power staff in regional towns. The member for Rockingham alluded to the fact that, if we have these problems now, we need to do something to change them. I have no argument with that. As I said, I have no problem with the basic principles. However, the problem is that I cannot support this legislation because I have gone through it and raised issues at briefings, and the legislation contains nothing that will guarantee the reliability, continuity and quality of supply. I acknowledge there are problems; I have just referred to some. I represent people in the regions who are very sceptical of what will come from this. They have good reason to be sceptical. I will come back to that later. At the briefings, we asked that the minister put those guarantees in this legislation. If that were done, the situation might well change.

The part of the disaggregation that most concerns people in regional Western Australia is the network, the supply through the lines and poles and getting the power to the people. The minister stated that the new network division will deliver that. What happens when there is a need to upgrade powerlines at the outer edges of our areas? The cost will be huge. If the money is not there, how will we do something about it? Where will the money come from to build the lines? It will have to be provided directly by government or, as I see it, prices will have to go up to deliver to those areas. If prices go up, then, once again, country Western Australia has to cop that. That is what people are very concerned about; I certainly am. Nothing in the legislation tells me that that will not happen. The legislation does not give any concrete guarantees.

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People in country Western Australia are saying to me that they do not trust the Government to deliver as a result of this legislation. It is pretty easy to see why they do not trust the Government. They have been burnt before. Today we have debated in this House the promise that was made about the Moora District Hospital. There have been other broken promises about road funding and health funding. It goes on. We cannot expect country people who continue to get burnt to believe what the Government is telling them about this legislation. That is why the National Party is saying that if the Government came back and put forward something concrete, the National Party and country people would look at this legislation in a different light.

Another point is that the National Party has had this legislation for less than the usual time required. Today it has been brought on early. People in country WA have not been consulted about the legislation and have not been properly educated to understand what is in it. People cannot be expected to jump in and support legislation like this that is so critical and crucial to them. I believe the member for Stirling has already mentioned why it is critical to country WA. In the metropolitan area, people take power for granted until it is not available. In rural WA, often it is not available, and people are concerned that that will not be addressed by this legislation.

I will talk a little about the meetings we have had in Kalannie and Jerramungup - just recently I attended the meeting in Jerramungup. Those meetings brought home to me the real situation in those areas. On 5 November I went to Jerramungup along with my National Party colleagues. People from the shires of Jerramungup, Ravensthorpe and Gnowangerup attended that public meeting to demand action from Western Power. Residents and business proprietors there have been badly affected. They told lots of stories, and I will relate a couple of them to the House because I believe it is very important. I was disappointed that neither the minister nor his representative was present. If the minister had been at that meeting and been able to explain what this disaggregation is about, it could have been of great benefit to what he is trying to do. It is also interesting that the disaggregation was not discussed that night, nor was the price. When people cannot get power - as I will probably allude to again later - or if it is continually browning out or blacking out and people lose power to their refrigerators or the motors used in their businesses, it costs them money. At the end of the day, it is not so much the price of the power but it is a matter of getting the power. That is a point that was missed. The fact that no-one from the Government was at that meeting is an example of the Government's indifferent attitude to regional WA, particularly inland regional WA. I believe that sometimes the Government refers to regional WA and talks about Albany, Bunbury and Geraldton. They are all part of country WA, but there are a helluva lot of other places apart from those major centres. They have a crucial role to play, and I do not denigrate them in any way. However, the little places such as Kukerin, Yealering, Broomehill, Kojonup and Katanning are vitally important, particularly to the people who live and try to make a living in those areas.

It was made clear at Jerramungup that the shires deserve access to an adequate power supply, but they are not getting it. Businesses and residents in Bremer Bay, for instance, find that most of the time they have half the normal power. A holiday resort there recorded the kitchen temperature at 52 degrees during the last power outage, and it ended up with unsafe working conditions for the staff, and food in the freezers went bad. I have been through all this in previous speeches, so I do not want to waste too much time on it. However, it is very important. The operator of the post office and the supermarket at Lake King recorded frequent blackouts. This is inhibiting development in those areas. The holiday resort operator in the Stirling Range planned to increase the accommodation facilities, but he said that it will not be possible until he can get a reliable supply of power. That has been made quite clear. However, nothing in this legislation guarantees that. That is what country WA needs, and this is the area - country WA - that I represent.

I also mention that another matter that is not dealt with in this legislation is the cost, particularly for industry and new subdivisions, of getting connected to the power supply in rural WA. In metropolitan WA people connect to the power supply and away they go. If this issue had been addressed in this legislation, I believe that once again the Government would have won the support of country WA. A business owner subdivided a block in Katanning worth about \$37 000. It will cost that person \$40 000 to get the power connected to that property and to provide what is necessary to subdivide it. What does he do? He does not go ahead and develop it. In my home town of Kojonup, the shire is looking at developing a second stage of industrial land. That is vitally important to that shire. An industry wants to move there right now. However, once again the cost of getting suitable power to those blocks is inhibiting that development. At the moment I am working with the shire and Western Power to try to get around that. In the end, that development will probably have to be scaled back and the whole process changed. I hope we can get somewhere with it. It will cost another business that wants to start in Katanning \$11 000 to get the power connected. It is only a small business, and people might think that that is not much. However, if I were setting up that business in Perth, I could just connect to the power supply. That person cannot do that; it will cost \$11 000. I could give many other examples. I guess they are all the same. However, in the Bill that is before us, none of that is covered.

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I should point out that when I was elected to Parliament, one of the things I stood for was to represent all of country WA. In this whole process, I have had briefings from various groups, such as the Chamber of Commerce and Industry of Western Australia, other business groups and government representatives. When I have been briefed, regional WA is virtually not mentioned - although Karratha, which is outside the south west interconnected system, was mentioned when we were briefed the other day. However, regional WA seems to be ignored. I do not think that the Government or the people involved in this have considered what is required in regional WA. In fact, I am sure they have not considered that matter. I know that the member for Pilbara commented on that in this place today in the debate about the Moora hospital. He said that small country towns are being neglected in this Government's regional development policy.

Power is vital to regional development. Regional WA is trying to expand and go ahead. However, it is being inhibited by the power restrictions imposed on it. This legislation needed to do something about that for members of the National Party and people in country WA to support it. It just does not do that. Country people know that. When they see what has happened with the Moora hospital, for instance, they have no confidence to back this legislation.

I want to mention another matter that I highlighted in the Parliament recently when I referred in debate to a section of Gibbs Siding Road between Darkan and Collie. This section of road is extremely dangerous. The last Government planned to undertake a \$3 million realignment of that road. That was scrapped by this Government. There has been one fatality and numerous crashes on that section of the road. I raised this matter in a grievance and, to the minister's credit, she has agreed that some minimal work will be done. It is a bandaid measure, but it is better than nothing. I am very grateful for that, as are the people of Darkan, and especially the people around Gibbs Siding Road. During that debate it was said that this is not important, because the number of people who use that road does not compare with the number of people who use, say, Armadale Road, where changes to a dangerous section have been made. I support the changes to that dangerous section of road. Eighty thousand people may use that road compared with, say, 3 000 who use the Gibbs Siding Road over a period. However, they are still people of Western Australia, and they are still kids who catch school buses. I highlight that, because it deals with real, everyday people who live in that area. Because of the numbers, the situation with the Gibbs Siding Road is not considered to be as important. That is what happened with this legislation. Although there are some good intentions and the basic principles are probably okay, people who live in the outer areas and country areas have once again been ignored. I think that is why it has been fairly simple for us to oppose the legislation. The legislation contains some good provisions, but we cannot simply support legislation when, at the end of the day, the real fear is that people in the outer areas and country Western Australia will be excluded from it.

Earlier this year National Party members toured a number of shires in Western Australia. The one thing that came back to us was that the development of residential and industrial subdivisions was being stymied by the cost of getting power. This is a real problem for people in power. I urge the Government, whatever the outcome of this legislation, to do something about it. A regional head works scheme needs to be properly funded to assist local governments to develop that land. If we do not do that, people will lose more and more confidence in Western Australia and the people in regional Western Australia will suffer.

I will not go on much longer because I have nearly come to the end of my time. I could quote many more examples. The member for Stirling suggested to the minister that he should listen to what we are saying. The Government can make changes to this legislation before it goes through this House to include those amendments, and then it might find support for the legislation. Obviously the Government has the numbers in this House. If the Government could address those simple issues of power supply, continuity, reliability and ensuring that people in country Western Australia can receive power, this legislation would have a much better chance of going through the Parliament.

**MR J.H.D. DAY** (Darling Range) [10.03 pm]: I agree with other members who have said that the legislation is very significant for the future of our State. There is no doubt that the electricity industry is crucial to the development of our economy and to the ability to employ more people in Western Australia. It is also crucial to our standard of living. It goes almost without saying that the electricity industry is an essential service. It is important for the way in which we live and the way in which we operate our homes. It is crucial for the operation of industry and hospitals and a whole range of other community facilities. It is also true that most people tend to take the generation and distribution of electricity very much for granted. People tend to use switches for lights or turn on taps for hot water without thinking too much about how electricity is produced or where it comes from. However, it is also the case that when things go wrong people become very angry. If problems occur with electricity supplies, particularly on a large scale, the buck stops with the Government. The electricity industry needs to be carefully managed and handled.



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It is also the case that electricity is a commodity that is unlike any other we rely on to the extent that we do. It cannot be stored except in small quantities. It must be available when needed. Significant fluctuations in demand occur throughout the day and during different seasons of the year, but it is essential that the industry have the ability to produce electricity when it is needed and demanded by the community. The technical aspects of electricity production are quite complex, although the basic physics of it are quite simple. A whole range of complexities and a whole range of issues of which I do not pretend to have any significant knowledge are involved in the distribution of electricity. We rely on capable engineers and other technical staff to ensure that the industry operates in a safe and efficient manner. The electricity industry is potentially a very fragile one. Unless it is managed very carefully, things can go wrong. In recent times we have seen examples of that along the east coast of the United States and in London. Major outages occurred in both areas about two months ago. Smaller but nevertheless significant examples of the same sort of problem have occurred in the eastern States of Australia. We were close to having major problems in this State a couple of months ago because of a real shortage of gas that was available, and, therefore, a potential shortage of electricity that could be produced in the south west of the State. Therefore, any reforms to the electricity industry need to be handled very carefully to ensure that disasters do not occur.

There are three major aspects to the production and distribution of electricity that are important issues to the community. The first, as some other members have said, is the security and reliability of the electricity supplies. To the overwhelming majority of Western Australians, that is probably the main issue. People are not overly concerned about the price they pay for electricity, particularly residential and small business consumers. Certainly, price is a factor. However, the overwhelming issue for most people is to ensure that they have electricity and can turn on their lights, get their hot water, operate their industrial equipment and so on when they need to. The second important aspect is cost. Although to many people that is not the major factor, it is nevertheless a significant factor, which I accept. We must put in place any changes that will reasonably and responsibly lower the cost of electricity supplies in Western Australia in either actual terms or, at least, real terms - I will come back to that aspect in a moment. The third important aspect of the electricity industry is that the community wants electricity to be generated with the lowest possible impact on the environment. In that regard, major advances have been made in recent years. The 240-megawatt cogeneration plant that was opened at Cockburn last Sunday, which has been in operation for a couple of months, has been a good example of generating electricity with a lower environmental impact because it is more efficient than its predecessors and it also uses gas, which, in some respects, produces lower greenhouse gas outputs. However, I know that the coal industry would argue that coal can be just as competitive with regard to greenhouse gas production when all things are considered.

It is also the case, as I am sure the Leader of the Opposition has outlined, that there have been big changes in the energy industry over the past 12 years. It is not as if reform has not occurred; there has been major reform in the energy industry, including the electricity industry. Going back to the days of the previous Labor Government, the Carnegie committee was appointed and produced a report, which was presented - I think I am right - to the new coalition Government in 1993. It was certainly up to the coalition Government to at least implement the recommendations of that report. The action undertaken resulted in the disaggregation of the old State Energy Commission of Western Australia into the two separate corporatised entities of AlintaGas and Western Power. In the gas industry in particular there has been major reform with deregulation that will take full effect in May next year when there is full retail contestability in the gas market, which follows the progressive deregulation that has occurred over the past decade. The gas industry has been entirely privatised in Western Australia. Although the Labor Party has criticised the Liberal and National Parties for those actions because of its political stance - it thinks it is a popular thing to do - the reality is that Western Australians have benefited from that in a substantial way. A very large sum of money - \$2.407 billion - was acquired for the sale of the Dampier to Bunbury natural gas pipeline, which enabled a substantial amount of debt to be retired by the State and investments to be made on a large scale for items such as school computers and so on.

AlintaGas was also privatised, which has been widely regarded as being a very successful move. AlintaGas has prospered since it was privatised; its share price has gone up. I am sure the development of the company would not have occurred had it continued in public ownership. That privatisation has been to the benefit of not only the shareholders of AlintaGas, but also the broader community and the economy of Western Australia.

It is true that substantial electricity reform has occurred in the past 10 years. However, the electricity industry is quite different from the gas industry. It is more complex, it is an essential service and it must be managed very carefully, because of its particular characteristics, to ensure that disasters do not occur. I make it clear that the Liberal Party supports further reform of the electricity industry. We not only preached reform of the electricity industry when we were in government, but also practised it. We are supportive of further reform, but the big question is how best to achieve it so that it will be to the net benefit of Western Australians.

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Mr E.S. Ripper: You might like to address what you see as the advantages of retaining retail's link with generation; in other words, the major point of difference that there now appears to be between the Government and the Opposition - a three-way split or a four-way split.

Mr J.H.D. DAY: The minister took the opportunity to make that interjection while I was getting a drink of water. I will certainly come to that aspect.

As far as the cost of electricity in Western Australia is concerned, a lot has been made about the suggestion that Western Australia's electricity industry is one of the highest priced in Australia. Although it is true that Western Australia is not the lowest in cost, it is not the highest. The publication *Electricity Australia 2003*, issued by the Electricity Supply Association of Australia, indicates that the residential electricity price in Perth is 33.2c per unit. That is lower than the cost of electricity in Darwin; slightly higher than the cost in Adelaide, Melbourne and Hobart; and somewhat higher than in Brisbane, Sydney and Canberra.

Mr M. McGowan: You said Darwin; is that your example of somewhere -

Mr J.H.D. DAY: If the member for Rockingham would like to get up -

Mr M. McGowan: I will. I am just amazed that you used Darwin as an example.

Mr J.H.D. DAY: I have not finished yet. The actual cost of electricity per unit charged by Western Power to residential customers - which I know from my own electricity bill and from the tariff schedule published by Western Power - is 12.67c per unit plus goods and services tax. That price is for those who are not taking advantage of SmartPower arrangements under which a different unit cost is paid depending on the time of day the electricity is used. The flat rate, which is paid by the overwhelming majority of residential consumers, is 12.67c plus GST, which takes it up to 13.94c per unit. That is slightly different from the prices quoted by ESAA, but no doubt the relativities quoted are accurate. The price of electricity for small businesses in Perth is 16.17c per unit, which is cheaper than in Melbourne, where it is 17.19c per unit. In this case, Perth's electricity prices are shown as being more expensive than those in Darwin. The member for Rockingham should not think I am trying to hang my hat on Perth's prices being lower than those in Darwin in particular, which prices are shown at 15.3c per unit and prices in the other States drop away from that figure. Prices for large business in Perth are shown as only the third most expensive at 8.89c per unit, compared with Darwin's prices at 9.61c per unit and Adelaide's prices at 9.97c per unit. The other States' prices are less expensive than those in Western Australia.

The final category that is worth looking at is rural electricity prices, which are shown to be 15.38c per unit in Western Australia; 15.98c per unit in Queensland; somewhat surprisingly, 19.46c per unit in Victoria; 14.4c per unit in South Australia; 13.32c per unit in New South Wales; and 11.88c per unit in Tasmania, which has the advantage of relatively inexpensive hydroelectric power generation. Western Australia's electricity prices are not universally the most expensive. I think it is fair to say that they are slightly above the middle of the range, and there is a very good reason for that.

Mr M. McGowan: That is inaccurate.

Mr J.H.D. DAY: Is the member arguing with these figures?

Mr M. McGowan: You are saying in effect that Darwin's price is more expensive than Perth's price, and the price in Adelaide, which has essentially a privatised industry, is slightly more expensive in one category and, therefore, Western Australia's prices are in the middle of the range. That is an unbelievable comparison. You should think about the cost structures in Darwin.

Mr J.H.D. DAY: The member for Rockingham can come up with his recipe to guarantee lower electricity prices for Western Australia.

Mr M. McGowan: We have. You did not listen to any of the briefings and you are opposing for the sake of opposition. That is irresponsible.

Mr J.H.D. DAY: I suggest the member listen in the next 45 minutes a little more carefully and he will learn that his argument cannot be sustained and ours is based on very solid ground.

Mr M. McGowan: Your argument is based on cheap politics.

Mr J.H.D. DAY: I thought the member for Rockingham could do better than that. The Opposition can provide a substantial argument. Quite frankly, many people with a little more experience in the electricity industry than either the member for Rockingham or I have major concerns about what his Government is doing. He should address the substance of the argument. While he is about it, he might ask the member for Collie to participate in this debate. We would be very interested to know what he thinks about the Government's plans. This legislation could have, potentially, major impacts on the coal industry.

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Mr E.S. Ripper: Would you like to tell us who is advising you and giving you their views?

Mr J.H.D. DAY: I will not imperil the positions of a number of significant people in the electricity industry who could be in some jeopardy as a result of the actions of a Labor Government if their identities were known.

Mr E.S. Ripper: Are you saying that people employed in Western Power have said this?

Mr M. McGowan: He said that earlier.

Mr J.H.D. DAY: We have received information and comments from a wide range of people who, without doubt, know much about the electricity industry. Before I was distracted by the interruptions of the member for Rockingham I was commenting on Western Australia's relative position on electricity prices. It should also be understood very clearly that the costs of electricity have reduced substantially in real terms in Western Australia over the past decade. Businesses, small to medium-size businesses in particular, have had no increase in real terms in the cost of electricity over the past 11 years. Indeed, the last increase occurred, if people like the member for Rockingham want to make this a political issue, when the previous Labor Government was in office and the member for Victoria Park, the now Premier of Western Australia, was the Minister for Energy. There have been no increases in the price paid by the businesses that I have mentioned since that time. When inflation is taken into account, there has been a reduction of up to 30 per cent in real terms for those businesses. I am aware of the comment made by some of the larger business organisations in one of the briefings yesterday that some of the businesses on contract have experienced price increases. I do not know to what extent that has occurred and I have not seen the evidence of that. I acknowledge that that comment was made.

For residential customers there has been only one price increase since 1992. That was in 1997. From memory it was an increase of around 3.5 per cent. When inflation is taken into account, there has been a real reduction in electricity prices for residential customers in Western Australia of around 20 per cent. That is a very substantial achievement, which in reality was achieved mostly during the time of the previous coalition Government.

Why are electricity prices higher in Western Australia than in some of the other States? I acknowledge that they are higher; there is no question about that. Prices are higher in Western Australia than in some but not all other States.

Mr M. McGowan: All bar Darwin.

Mr J.H.D. DAY: If the member for Rockingham had listened to what I have said and had consulted the publication I have referred to, which has a bit more authority than him, he would know that it is not all bar Darwin in all categories at all. Western Australia is cheaper than South Australia and Melbourne in two of the categories that I mentioned. I suggest that the member look at the facts rather than interject with some of his nonsense.

There is no doubt that the major cause of electricity prices being higher in Western Australia is the higher fuel costs for the generation of electricity; in particular, the higher coal costs. It is pretty much on the public record that the amount that Western Power must pay for coal is in the order of \$60 a tonne compared with at most half and in some cases down to a quarter of that price in some eastern parts of Australia. When that sort of price must be paid for coal, there is no doubt that it will lead to a higher cost of electricity to consumers. Western Australia also faces the tyranny of distance. We have large distances to cover. There are a lot of uneconomic areas in rural and remote parts of Western Australia to which electricity must be supplied. The effect will be greater in Western Australia than in any other State because of the size and the dispersed population of our State.

As far as the costs of electricity for business consumers are concerned, I raised the issue of small to medium-size businesses in question time today. I am referring to businesses on the L1 tariff. The Minister for Energy needs to give us a much more comprehensive and open answer to this issue than the one he gave during question time today, when he very studiously sought to avoid answering the question. This issue will not go away. In August last year Western Power proposed to reduce electricity prices in actual terms, and therefore in real terms to an even greater extent, for customers on the L1 tariff; that is, small to medium-size businesses, including supermarkets, manufacturers, and food and retail outlets. The proposal was to reduce electricity costs for those customers by 10 per cent over three years. I understand that that was to be achieved essentially through the renegotiation of coal contracts. It would have been funded and afforded in a responsible way. That was made very public at the time.

An article in *The West Australian* of 2 August 2002 had the headline "Cost cut pledge as power profits lift". An article in *The Australian Financial Review* on the same day made reference, amongst other things, to this proposal by Western Power to reduce electricity tariffs for about 65 000 business customers in Western Australia. Why has that not occurred? I asked the Minister for Energy about that in question time today and received a most unsatisfactory answer. He needs to tell us a lot more about why it did not occur. It is my understanding that the price reduction did not occur because it was blocked by the Government. It was not

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convenient for the Government as it would have undermined its arguments for the break-up of Western Power and its attempts to get support for this legislation. I think this situation is an absolute scandal. The reality is that if Western Power's clearly thought-out proposal had been allowed to go ahead, business customers in this State would have been paying lower electricity prices since 1 July this year. However, because of the actions of this Government, and presumably this Minister for Energy, businesses are paying more for electricity than is necessary, regardless of this legislation. There would already be lower electricity prices for business customers in Western Australia if the Minister for Energy had not intervened. There needs to be a very full explanation by the Minister for Energy. He has been very silent. He was keen to interject earlier but he is not so keen now. When he responds to the second reading debate, he needs to give a full explanation about why that reduction in electricity prices for business customers was not allowed to go ahead.

As I said, we need to do more to continue the process of reforming the electricity industry in Western Australia and to exert downward pressure on electricity prices. Western Australia has a relatively small market that is not connected to the national electricity market. I make the observation that last week's comments by the federal minister responsible for this area, Ian Macfarlane, showed that he does not really understand the fact that Western Australia is an isolated case. We are not, and are never likely to be, connected to the national electricity market. There is no practical likelihood of connecting Western Australia's electricity consumers to the grid on the east coast of Australia because of the distance across the Nullarbor Plain. Therefore, we need to consider Western Australia in a somewhat different light. Firstly, we need to encourage further competition in generation. The private sector should be encouraged to become involved. If it can show that it is cost competitive, it should be given a mandate to generate electricity to a greater extent than it is at the moment. I do not think the private sector should be given preferential treatment to Western Power, but it should certainly be treated on an equal basis with Western Power. If the private sector can generate electricity cheaper than Western Power can, it should be able to go for it. Of course, to do that there needs to be fair and reasonable access to the network in Western Australia. We are very much supportive of that. Secondly, an effective regulator needs to be in place. This legislation gives the Economic Regulation Authority responsibility for regulating the electricity industry. There will be an independent overseer who can make decisions and, if necessary, impose particular requirements on operators in the electricity market to ensure fairness and transparency in the system. Thirdly, we need to ensure that an effective market is put in place in the electricity industry in this State. At the moment there is a limited market through the use of bilateral contracts. That needs to be developed further, and the Liberal Party supports that.

The Liberal Party's position is, firstly, that it supports further development of the electricity market. It is our view that that can be done in a simpler and less expensive and complicated way than the Government is proposing. There are some proposals about how that might be achieved. I do not pretend to be an expert on that matter. However, I am aware, for example, of some of the advice that has been given by a very experienced consultant in the electricity industry in the United Kingdom, Dr Graham Thomas, who has made some suggestions as to how a wholesale market could be established in Western Australia in a way that is not as expensive or as complicated as the Government is proposing. That needs to be considered a lot further, and the Liberal Party will do that.

Secondly, the Liberal Party supports the separation of the network from Western Power to ensure that there can be access to the system by private sector generators on a fair and equitable basis. Until now, a ring-fencing approach has been taken. Complaints have been made by some sections of the private sector about information being exchanged across the different divisions of Western Power. Equally, that has been strongly refuted by Western Power. I have no reason to doubt the integrity and professionalism of the members of the network division of Western Power in dealing with the issues that they need to deal with and maintaining confidentiality. Nevertheless, a perception exists that the network system is not as independent as it should be. Therefore, we are supportive of separating the network part of the Western Power business.

Thirdly, the Liberal Party supports putting in place an effective regulator. As I have said, that will be achieved, hopefully, through the Economic Regulation Authority. Fourthly, the Liberal Party supports the regional power component of Western Power being put into a separate entity, perhaps still with a degree of relationship to Western Power so that it can receive appropriate support and backup. Whether it should have a completely separate board, with completely separate members for which it would have to pay, is a matter that probably needs to be considered further, but we support having a separate regional power division with its headquarters outside the Perth metropolitan area.

Another aspect that must be dealt with, and that the Liberal Party would very much seek to take further, is the need to negotiate lower fuel prices. We need to ensure that there is a clear plan for new and cleaner power generation in Western Australia. That is beginning to be achieved. The Cockburn 1 power station, which was opened by the Premier on Sunday, was in fact given approval to go ahead in the last few months of the previous

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coalition Government. I remember being a member of Cabinet when the now Leader of the Opposition and then Minister for Energy had responsibility for getting cabinet approval for that power station to go ahead, and that approval was certainly given. It has taken three years to put that into effect, but it is an example of part of a plan that existed when we were in government to ensure that new and cleaner power generation capacities are put in place. The Liberal Party is also very supportive of and recognises the need to expand the gas pipeline network. We also seek to encourage independent power producers to become more involved in the market, possibly by ensuring that Western Power will buy a certain share of what is produced by those independent power producers. As I said earlier, it is pretty obvious that if the private sector is to be involved, it will need to be cost competitive with Western Power.

In our view, the Government's model is complicated and will be expensive to establish and operate. The Government is proposing to break up Western Power into four new corporations. The big issue is whether the generation and retail divisions should be required to be separated. That will not be the case for the other operators in the electricity market. Therefore, in our view that should not be the case for Western Power either. We are not convinced that such a requirement should be imposed upon Western Power. There is a range of arguments about why that should not be the case. One of those arguments is that Western Power currently has fuel contracts, particularly for the coal industry, that are higher in cost than is desirable, and if Western Power generation were separated out on its own, it would be left to carry the can for that cost. In the end, the money has to come from somewhere. That will mean that either Western Power generation will be uncompetitive, or in some way or another the money will have to come from taxpayers. It is also very relevant to observe that the argument to require Western Power generation and retail to be disaggregated, as the Government is proposing, is not occurring in many other electricity markets. Reaggregation of generation and retail activities is now occurring, or has occurred recently, in the United Kingdom and also in New Zealand, where disaggregation occurred in the past. I am aware that there is pressure to allow such reaggregation in the eastern States of Australia. We have seen from the experience in California over the past two or three years that the deregulation that it put in place brought about this type of disaggregation and resulted in a disastrous situation for the industry there. In particular, as I understand it, insufficient electricity was available following the deregulation that occurred in California. The generators were not provided with sufficient incentives to invest in new capacity. Therefore, there was not sufficient electricity available for the retailers to meet the demand that existed. As a result, there was a mismatch between the needs of the retailers and the capacity of the generators.

I attended a power and gas conference in Sydney in August this year as a member of the Economics and Industry Standing Committee of this Parliament. The member for Riverton, the chairman of that committee, was also present. I made notes of the comments made by Mr Richard Powis, the Chief Executive Officer of Integral Energy, which is a major electricity utility in New South Wales and which is still state-owned. The notes I made on this subject of what Mr Richard Powis said were along the lines that separating retail and generation involved high risks, particularly for retailers. He said that retail and generation should be allowed to operate together to manage the risk and avoid the problem that occurred in California. As I mentioned, he said that reaggregation of retail and generation had been allowed in recent times in England and New Zealand. He said that it was an absolute folly not to allow retail and generation to operate together. That is what the head of a major electricity utility in Australia - in New South Wales - said in August this year.

Mr C.J. Barnett: In a market that is far bigger than the market in Western Australia.

Mr J.H.D. DAY: As the Leader of the Opposition says, essentially it is a big market, with a great deal of experience of how these sorts of systems should work. Richard Powis also said that a clear and consistent regulatory framework was needed for the networks. The Liberal Party supports that.

It is also very pertinent to consider the view of Western Power itself on this issue. I thank the Minister for Energy for organising the briefing with the Managing Director of Western Power this morning at short notice. It was only yesterday that I requested that a briefing be held. I appreciate that a meeting was organised with the Managing Director of Western Power, the corporate lawyer and the head of corporate affairs of Western Power. I suggested to the Minister for Energy yesterday that it would be appropriate for the Chairman of Western Power and also the heads of the generation networks and retail divisions of Western Power to attend the meeting. The fact they were not there is not a reflection on them. No doubt they did not attend because of a decision by the Minister for Energy that it would not be convenient for them to be there. Although we very much appreciated the comments made by Dr Stephen van der Mye, the managing director, and his colleagues in the briefing this morning, no engineering expert was present. If the Opposition is to be adequately briefed about these issues of major concern, we should have access to some of the professional engineering and technical advice that is an essential part of that consideration.

The Chairman of the Board of Western Power wrote to the Minister for Energy on 9 October 2002. I will be interested to hear the response of the Minister for Energy to the issues raised in this letter. The chairman, Mr

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Malcolm Macpherson, was appointed by this Government, so he is not someone who would seek to make life difficult for the Government. His comments are on behalf of the board, following due consideration. The letter to the Minister for Energy reads -

The Board supports the concept of further reform in the State electricity industry to increase competition and reduce power costs. The changes should be introduced in a way which manages risks and protects the value of one of the State's most important assets. On this basis, the Board would endorse proposals for the establishment of a wholesale market and an independent transmission business. However directors would not support the disaggregation of the generation and retail sections of Western Power in the short to medium term. Board members believe that the sequence and timing of reform will be crucial to the efficiency and reliability of the industry.

Would the minister like to respond at this stage by way of interjection, or would he prefer to wait until his second reading response?

Mr E.S. Ripper: I will wait until my second reading response.

Mr J.H.D. DAY: The letter continues, under the heading "Conclusion" -

- That the structure of the industry varies between jurisdictions, and this is largely due to market size, load profiles (customer consumption patterns) and political judgments.

These comments were made following observations of the board after briefings and other reviews and the experience of companies in other States. The letter continues -

- The industry has many complexities, which are compounded by the fact that electricity cannot be stored for most applications.
- Expert knowledge is required to optimise economic returns, whilst operating a safe and reliable electrical system.
- Further reform of the Western Australian electricity industry by creation of a market is desirable in order to achieve the objectives of new capital investment, increased competition and lower prices to consumers.
- The challenge is in how to achieve lower prices without putting at risk the value already created in Western Power.

We know from one of the consultant reports that the value of Western Power - probably the largest taxpayer-owned organisation in Western Australia - is predicted to fall by \$500 million as a result of the actions of this Government. The Minister for Energy will say that that is only of consequence if there are plans to sell off the organisation. No-one is proposing to sell Western Power, and that is certainly not the intention or the policy of the Liberal Party, but it is not simply an academic exercise. It is a very important issue for the taxpayers of Western Australia. If that \$500 million is coming off the value of Western Power as an organisation, where is it going? It is not just disappearing, as the Leader of the Opposition pointed out earlier; it is in effect being transferred to the private sector. What private sector company would simply give away that sort of value?

Mr R.C. Kucera: It is academic, if the organisation is not being sold. It is like saying that a Rembrandt in a museum is worth less.

Mr C.J. Barnett: It is not academic, it is \$500 million that the organisation loses. It is the biggest transfer of wealth since WA Inc.

Mr R.C. Kucera: That is absolute rubbish.

Mr C.J. Barnett: The minister should explain to us where the \$500 million goes, because it does not disappear into the ether.

Mr R.C. Kucera: It is absolutely academic.

Mr C.J. Barnett: If \$500 million disappears from Western Power's value, where does it go? Is the energy industry worth \$500 million less? I do not think so. It simply transfers value from Western Power to someone else. You will never understand that. I am wasting my time. I concede the point; you win.

The SPEAKER: I am sure the member for Darling Range would like to continue his speech.

Mr J.H.D. DAY: I was quite enjoying the interjections from the Leader of the Opposition, because I thought they were very pertinent.

Mr R.C. Kucera: I think they were absolute rubbish.

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Mr J.H.D. DAY: As the Minister for Small Business wants to get into this debate, perhaps he will make a full contribution later. Perhaps he would like to make some observations on the fact that the price of electricity for small business customers in Western Australia could be lower now if that plan had not been blocked by the Minister for Energy. What does the Minister for Small Business think about that?

A stunning silence! The minister might have to get out there and defend the Government's case to the 65 000 small to medium-size businesses in Western Australia that could have had lower cost electricity now if his Government had not prevented it.

Mr R.C. Kucera: I do not have to defend it to them, because they do not believe what you are saying. It is as simple as that. They know what you are saying is absolute rubbish.

Mr C.J. Barnett: Why did your Government stop the price cut? Why did you as Minister for Small Business presumably stand against a price cut for small business? That is off their bottom line; that is money in the bank for small business.

The SPEAKER: I think it is your speech, member for Darling Range.

Mr C.J. Barnett: It is a lack of accountability from a minister.

The SPEAKER: It is not the Leader of the Opposition's turn to speak.

Mr J.H.D. DAY: I think the point has been made, and it will be very interesting to see the reaction of the business sector in Western Australia to that aspect.

Mr R.C. Kucera: I think we saw it this morning in the newspaper.

Mr J.H.D. DAY: The minister is such an expert on the electricity industry. He should learn about the issues so that he is a bit more qualified to make some informed comments.

I return to the comments of somebody who presumably knows something about the electricity industry in Western Australia, the Chairman of Western Power, who, in his letter to the minister on 9 October 2002, went on to say -

Timing of Structural Reform

Achieving lower fuel (gas and coal) prices are the key to reducing our costs of generation. Therefore, changes should not be introduced until key fuel contracts have been renegotiated.

Extent of Structural Reform

The ERTF -

The Electricity Reform Task Force -

argument for the creation of standalone generation and retail businesses is not compelling. Based on the Deloitte Study chaired by Treasury and supported by Western Power the Board believes that disaggregation into three separate entities -

That is excluding the regional power corporation -

would

- reduce profitability
- reduce value to the owner
- reduce payments to Government
- raise concerns about Generation's longer term viability and
- threaten Retail's short to medium term viability.

It continues -

Full Retail Contestability

The experience elsewhere indicates that it is very difficult to justify the costs of information technology systems that are necessary to allow residential consumers to change suppliers. We suggest that this topic could be revisited in several years, when hopefully, the costs are lower.

**Recommendations for the future**

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To minimise the risks and to provide ongoing benefits to customers our suggested way forward is as follows:

- Establishment of an Energy Regulator.
- Establish Western Australian Market Manager (WAMM) to design and implement wholesale market. This would include specification of roles and responsibilities of participants. An enhanced top-up and spill arrangement could be implemented as an interim measure.
- Separate Pilbara and Regional into a separate entity.
- Review and establish the degree of separation of Networks with a view to establishing an independent transmission business once an appropriate market structure is in place.
- Lower SWIS -

That is, the south west interconnected system -

open access threshold to 6kW consistent with gas.

It all seems to make a lot of sense to me, and it does to the Liberal Party as well. They are the very measured views of Western Power. It is not arguing against change; it is supportive of further change. If it were simply trying to protect Western Power as an organisation, it would put up some sort of argument against all change. That is not the case. It is proposing further measured reform, as is supported by the Liberal Party Opposition.

Mr E.S. Ripper: What is your argument for keeping retail and generation? What benefit do we get? Do we save costs?

Mr C.J. Barnett interjected.

Mr E.S. Ripper: Why don't you let your shadow minister answer?

Mr J.H.D. DAY: I can do no better than quote the Leader of the Opposition. Security of supply is a good reason. The minister does not need to believe us; he need only listen to the chairman of his own board of Western Power about why generation and retail should be kept together.

Mr E.S. Ripper: They do not give a reason. That is why their views were not accepted.

Mr J.H.D. DAY: I have just given the minister some reasons.

Mr E.S. Ripper: They do not give a reason. It was a poor submission.

Mr J.H.D. DAY: I have given the minister some reasons for keeping generation and retail together. I have quoted as an example the head of a major electricity utility in New South Wales. To respond to the minister's request, I will give another example for keeping them together. I and many other members of Parliament have received this e-mail from a businessman by the name of Geoff Horne from South Australia, who is currently holidaying in Western Australia. He wrote to us as follows -

As a South Australian who owns businesses in Sth Australia and also has business interests in Victoria my very strong advice is don't make the mistake of splitting up your electricity business.

In my younger days I was a practising accountant and by nature have always had an interest in the cost of organisational change. The break up of the ETSA corporation -

That is, the Electricity Trust of South Australia -

commenced in 1996 when it was split into two separate corporations and then further splitting in 1998 lead to six separate corporations. My assessment is that the impact of this structural change and the critical loss of 'economies of scale' has cost the state in excess of \$350M.

Initially the break up costs were funded by the newly created corporations but as you may expect ultimately it has to be recovered from customers. Consequently over the past 8 years in S.A. we have been faced with rising electricity tariffs.

It has become more pronounced since privatisation but the combined cost of

(a) the separation process and

(b) the resulting loss of 'economies of scale'

is still a contributing factor in the higher tariff prices.



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Since 1995/1996 our main small/medium business tariff (160 - similar I understand to your S1 tariff) has increased by 19-20% and our residential tariff has rocketed up by close to 60% - it may be 58 or 59 but certainly not less.

Mr E.S. Ripper: It is a privatisation result.

Mr J.H.D. DAY: If the minister listens to this South Australian businessman, he will find that he is saying that that might have been part of the factor but by no means was it the only factor. He goes on to say -

My message is simple don't be conned by economists that peddle the line that breaking up a vertically integrated power business is good for business and that it will generate competition - it simply doesn't do either. My advice is that you push for better regulation and consider generation incentives.

That is the experience of a customer in South Australia who is giving us very clear advice not to go down the same path. The Minister for Energy wants some examples for why we do not support exactly what he is proposing. That is one of the examples, and I could produce a range of other information about electricity tariffs that has been made available to us. They bear out the increases that have occurred and the instability in the electricity market in South Australia. Yesterday we were told by one of the government representatives not to use South Australia as an example because it is not the same as Western Australia. It might not be exactly the same, but I can certainly understand why the Government would not want us to use South Australia as an example, because there has been chaos there in recent times. Let us consider some comments by the South Australian Independent Industry Regulator. He is not an industry operator or somebody with only a shallow knowledge of the electricity industry. I refer to his comments about the South Australian situation in a paper presented to the Fifth Annual South Australian Power Conference in December 2001 under the heading "national benefits from national electricity market reform". He refers to the general model the Government seeks to put in place in Western Australia. The SA Independent Industry Regulator, Mr Lewis Owen, said, among other comments -

In SA, the cost reductions in the 1990s all flowed to industrial/commercial consumers and none to residential consumers (whose prices have risen in real terms over the decade and are expected to rise further when FRC commences). Industrial/commercial prices are also now back to early 1990 levels.

It is of course, difficult to know what the situation would have been without the reforms or without the NEM (the so-called "counterfactual" case). However, it would be a brave person to assert that SA residential customers are better off because of the changes of the past decade.

The Opposition has grave fears that the same sort of situation will result for Western Australian residential and small business customers.

The Opposition is concerned about the cost of putting in place the Government's model. We know from information that has become available, and that the Government has admitted, that there will be a cost of \$153 million over four years to establish -

Mr E.S. Ripper: We announced that.

Mr J.H.D. DAY: I just said that the Government has admitted it to be the case.

Mr E.S. Ripper: We announced it months ago.

Mr C.J. Barnett: Only after we had the cabinet document.

Mr E.S. Ripper: No. We put out a press release saying what the cost would be.

Mr J.H.D. DAY: The minister has been dragged kicking and screaming to make some of these issues public, and there is probably a whole lot more that should be made public. The important factor is the actual cost. It is \$153 million over four years, with an ongoing increased cost of operation of \$27 million every year thereafter. That figure presumably will increase according to inflation. There is also a predicted increase in state debt of \$159.2 million, which is not an insignificant issue, I would have thought, for the Treasurer or the Under Treasurer.

Mr E.S. Ripper: Does your model produce any savings on those costs?

Mr J.H.D. DAY: Does the Government's model?

Mr E.S. Ripper: Does your model?

Mr J.H.D. DAY: Yes, I believe so.

Mr E.S. Ripper: You are now for the disaggregation of Western Power on a three-way rather than four-way basis. Does your model produce any lesser cost than the model the Government proposes?

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Mr J.H.D. DAY: Yes. I do not argue that the Opposition's model has been put forward in detail, as the details need to be determined with a lot more expert advice. However, my advice is that there will be a lower cost of implementation and operation and less complexity as a result of what I suggest.

Mr E.S. Ripper: My advice is that your model would not save a cent in cost. All the things that you say about our model would apply to your model in costs, but with lower benefits.

Mr C.J. Barnett: What about debt?

Mr E.S. Ripper: Your model produces exactly the same outcome.

Mr C.J. Barnett: Debt is determined quite differently. It is because of a loss of market presence by Western Power. If you do not understand that, you should not be Treasurer, let alone energy minister.

Mr J.H.D. DAY: In addition to the increase in state debt of \$159.2 million, there is a predicted reduction in value of Western Power of \$500 million. That is a significant issue for the Treasurer and Under Treasurer.

Mr E.S. Ripper: That is a flawed analysis. I do not agree with the \$500 million figure.

Mr J.H.D. DAY: The minister does not like that analysis. He likes some, but not others.

Mr E.S. Ripper: I do not like that analysis - it is wrong.

Mr J.H.D. DAY: How much does the minister predict will be the reduction in value of Western Power?

Mr E.S. Ripper: I think the \$500 million figure is wrong.

Mr C.J. Barnett: What is the figure?

Mr E.S. Ripper: There is no figure.

Mr C.J. Barnett: What's the Deloitte figure?

Mr E.S. Ripper: It's been published - it is the \$500 million. I dispute that figure.

Mr C.J. Barnett: Tell us the Treasury estimate.

Mr E.S. Ripper: There is no Treasury estimate.

Mr C.J. Barnett: Yes, there is. Why not disclose the Treasury estimate of the loss of value?

Mr E.S. Ripper: I don't think there is a Treasury estimate.

Mr C.J. Barnett: I'm telling you right now that there is.

Mr J.H.D. DAY: It is a very significant issue. The Treasurer and Minister for Energy should tell the Parliament and the people of Western Australia what is his predicted reduction in the value of Western Power if he does not think it is \$500 million. Against all those costs we need to look at the predicted benefits and reduction in electricity prices as predicted by the Government. It first predicted an 8.5 per cent reduction over, initially, 20 years. It then said it would occur over 10 years and is now saying it will occur by 2010. I am not sure what time frame the Government is using. Even if it is over seven years or 10 years, it is a very modest reduction compared with the real reductions that have occurred over the past decade.

Mr E.S. Ripper: People are getting 10 per cent reductions right now because of competition reform.

Mr J.H.D. DAY: They would have, had the Treasurer not blocked them in August last year!

There are other important aspects. One is demand management. Concerns are held by some, particularly the Conservation Council of Western Australia, that the Government has not given sufficient attention to the issue of demand management; in other words, to encouraging people to use less electricity when possible. The council has concerns about the move to split Western Power into four organisations. The council expressed to me that it was supportive of taking out the networks, as proposed by the Liberal Party. There needs to be some ability to impose conditions on licences for operators in the electricity industry in relation to demand management; I refer, for example, to some of the meters that are in place in South Australia. This is an area that needs a lot more development and consideration.

Concern was expressed that the Government is giving conflicting messages. On one hand, it wants people to conserve electricity, to use less, thereby helping to produce less greenhouse gases. On the other hand, it states that it wants the price to come down, which will encourage people to use more electricity. That is one of the overall problems with the position of the Government. It is not clear about what it really wants to achieve from these reforms. Does it want to achieve reduced prices or the increased use of renewable energy? What outcomes does it want to achieve? It should determine what it wants to achieve and then put in place a model that will fit its objectives.

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**MR M. McGOWAN** (Rockingham - Parliamentary Secretary) [11.02 pm]: I will make a few remarks on this very important Bill. At the outset, I inform the House that I am speaking because I have had some involvement with the Government's approach to this issue as chairperson of the union consultation committee on electricity reform. We have had considerable involvement. I will go into that in a little while. I will put a few facts on the table. A lot of the argument put forward by members of the Opposition has been very ill informed, and members opposite have come to their position very late in the piece on this issue. The Government took its approach on this issue to the electorate as a policy position in 1996. It took it to the 2001 election as a policy position. It was very thought through. On those two occasions it was put to the people. On one occasion, the Labor Party lost the election. On the second occasion, it won the election. The Government has a mandate to put forward the proposals it took to the people on this very significant issue.

There are significant problems with our electricity industry in Western Australia. The first and most significant problem is that prices are higher than those in any other jurisdiction in Australia. The report of the Electricity Supply Association of Australia clearly points out that Western Australia is consistently more expensive than all other jurisdictions bar the Northern Territory; that is, Darwin.

Mr C.J. Barnett: Is that a recent event?

Mr M. McGOWAN: It has occurred over the past eight years or so.

Mr C.J. Barnett: Has our electricity only just become more expensive?

The DEPUTY SPEAKER: Order!

Mr M. McGOWAN: It shows through all the statistics of eight years to the 2001-02 financial year.

Mr C.J. Barnett: And the eight years before that and the eight years before that.

Mr M. McGOWAN: It is the previous eight years. Residential electricity prices have been more expensive, as have small, medium and large business prices. The fact that electricity prices in Western Australia are consistently high is a significant disincentive to business investing in this State. That is Economics 101. If we want to create more economic activity in the State, lower electricity prices are an important part of doing it. I would not expect the Opposition to understand it because we have taken the issue to the people for seven years and the Opposition has only come to its position today.

I will go into this in more detail later on, but the second reason is the way in which the industry is structured at the moment means that it provides significant disincentives and blockages to other generators accessing the marketplace. That is a fact that I would think even the Opposition would acknowledge. The Opposition certainly appears to be acknowledging it with today's policy backflip.

Mr C.J. Barnett: I am sorry. We went for transition separation a year ago.

Mr M. McGOWAN: The only thing the Leader of the Opposition has said on this issue is that he would privatise a couple of power stations. That has been the Opposition's policy on this issue until now.

Mr C.J. Barnett: When did I say that?

Mr M. McGOWAN: The Leader of the Opposition has said it in the media a number of times. I can get him the clippings, and I am sure the member for Kalgoorlie can provide him with clippings. That is all he has said, yet today I hear the member for Darling Range endorsing virtually every single thing we propose bar separating generation from retail. Until now there has been complete silence. The Opposition's policy position was worked out at a four-hour party meeting today. I cannot imagine what that party meeting must have been like when all those ill-informed people debated this issue. Some decided to get themselves across it, but the Leader of the Opposition, who was a captive of Western Power during his time as minister, has been running the debate over the past years on the basis that there should be one single entity. I wonder whether those people have any understanding of economics or basic competitive philosophy. I would have thought that basic Liberal Party philosophy meant that the industry would need some competition. I wonder how they sat in a room with the Leader of the Opposition running the argument, saying that one organisation should be providing services to the people of this State. Do we run that argument for groceries, airline services, car dealerships or any other industry?

Mr B.K. Masters: Water?

Mr J.H.D. Day: The post?

Mr M. McGOWAN: They are natural monopolies. Water is a natural monopoly and, I would submit, Australia Post is a natural monopoly.

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Mr C.J. Barnett: It is not. If you know what a natural monopoly is, you tell us. Will you define it? Have you any idea what it is?

The DEPUTY SPEAKER: Order!

Mr M. McGOWAN: The Leader of the Opposition might have been a tutor at Leederville TAFE but that does not give him the right to come in here and try to lecture us all on economics and tell us what we should or should not do.

Our proposal acknowledges that we have higher electricity prices in Western Australia. It was thought out and comprehensively put together over time. The Electricity Reform Task Force examined these issues - some very eminent people were involved in the task force - and came up with the benefits of this proposal involving an 8.5 per cent cut in energy prices, an additional 3 000 jobs and a \$590 million increase in gross state product. The Opposition keeps on harking about Victoria and South Australia in quite a misleading fashion because it wants to muddy the waters. As opposition members will acknowledge, if they want to be a little honest about these things, the truth of the matter is that Victoria and South Australia went down the privatisation route. South Australia leased its entire industry for 90 years to a private corporation. Victoria had horizontal and vertical disaggregation and completely sold off its industry to a range of different private energy generators, distributors, retailers and so forth. What Victoria and South Australia did is completely different from the Western Australian example and this Government's proposal. Our proposal is similar to the models in Queensland and New South Wales. History shows that there have been great job losses in this industry. The concomitant was that our prices did decline. The difficulties in the work force were caused by the corporatisation in New South Wales, Queensland and Western Australia. In all those States there was a major decline in the work force but also an increase in efficiency and a decline in prices. The factor that has not caused the decline in jobs, but has caused a decline in prices in those two jurisdictions is disaggregation.

Mr C.J. Barnett: It has not added to prices in South Australia.

Mr M. McGOWAN: Yes it has. The Leader of the Opposition refuses to listen. The South Australian industry was leased to one private entity. The Leader of the Opposition continues to run this argument amongst his members. They are either disinterested or, if they are interested, they appear to be trying to do the right thing and flout his position dictated by eight years as the Minister for Energy captive to Western Power. However, the Leader of the Opposition keeps on harking back to South Australia, a scenario that is not even similar to the Government's proposal.

Mr C.J. Barnett: Yes it is. It is a similar sized market.

Mr M. McGOWAN: This State has a much bigger market than South Australia. However, it is not a similar scenario because we are not privatising. I will go through a couple of the things that we are doing.

Several members interjected.

The DEPUTY SPEAKER (Mrs D.J. Guise): Order, members!

Mr M. McGOWAN: We are disaggregating into four entities. We are providing a regional power corporation - something the Opposition apparently never considered until this morning. We are putting in place electricity access codes. We are supplying a last resort mechanism for Western Power. We are putting in place a mechanism to allow sustainable energy producers to get access to the networks. We are putting in place price caps for residential consumers, customer service codes and antiprivatisation provisions. We are allowing the Economic Regulation Authority to have regulation authority over this proposal. Most importantly - this is something the Opposition should listen to very carefully - we are putting in place a residual trading market in electricity, which means that a generator can produce energy, perhaps more than it might sell to an individual customer, and then sell it into the marketplace. A generator then has the capacity to build generation plants and sell that energy to people other than its principal customer. This would allow people to build up a significant generation capacity; a measure that will allow for significant economic growth in Western Australia.

Mr B.K. Masters: Can you explain how disaggregation is essential for the scenario you just described to occur?

Mr M. McGOWAN: The Liberal Party supports splitting Western Power into three in any event.

Mr B.K. Masters: No, I am just asking.

Mr M. McGOWAN: I will go through the arguments. First I will go over my role on the consultation committee and the role that the unions have played. I believe the unions have played a very constructive role in this matter. There is no doubt that two or more unions are opposed to the disaggregation project; they make no bones about it and we accept that. However, we have attempted to bring them into consultation, ensure they are informed and ensure that in as many respects as possible they have an opportunity to protect the interests of their members.

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They have achieved significant results from that consultation. We are implementing a memorandum of understanding with the unions to guarantee that there will be no cuts in salaries and no forced redundancies and that transfer positions and the preservation of entitlements will be put in place. We are committed to not privatising Western Power, and we are considering measures to ensure that contractors cannot come into the industry and undercut the wages and conditions of existing employees. We have gone a long way to meet the needs of employees.

I want to now address the arguments put forward by the Liberal and National Parties. I heard National Party members complain about blackouts in country areas under the existing system. Do members know what the provision for change is? It is really quite straightforward. The Government, under the model it proposes, will not have to invest the same amounts of money for generation as it did historically. That means that more funds will be available for the network.

Mr M.W. Trenorden: That is because you put it in health.

Mr M. McGOWAN: The Leader of the National Party does not want it in health?

Mr M.W. Trenorden: No.

Mr M. McGOWAN: We have that on the record and we will tell that to the people of Moora.

It means that we will have significant funds available to put into the wires. As the Leader of the National Party knows, throughout the SWIS there are significant requirements for investment in the wires. At the moment Western Power is a large integrated entity that has engineers, being who they are, who generally rise and dominate the organisation. Where do they want to spend money? They want to spend it on generation and that means fewer funds available to be put into other areas of the entity. This legislation will address that issue. The Minister for Energy will go into the issue in greater depth in a moment, but that is what it is about - helping country people. Why do members think that all the large energy users, so many of which are based in country areas, including in the electorates of the members for Avon and Kalgoorlie -

Mr C.J. Barnett: Name them.

Mr M. McGOWAN: Maybe not Kalgoorlie, but the mining industry, AlintaGas, the Chamber of Minerals and Energy and the Chamber of Commerce and Industry of Western Australia all represent thousands of different businesses.

Mr C.J. Barnett: Name the users in regional areas

Mr M. McGOWAN: The Leader of the Opposition has a Stalinist approach to energy. He belongs in North Korea on this issue. He should go back to North Korea because he appears to think that only government can run these entities. He is too nervous about other people getting out there and having a go. I would have thought that was a strange philosophy for a Liberal, but that is his philosophy. It is about time the Liberal Party had a bit of generational change. I read the paper today and I have read the front page of tomorrow's edition of *The West Australian*. The Liberal Party needs a generational change. It should jump a generation with the members for Dawesville and Moore. It should take a full step on generational change and go to the most competent and capable people it has within its ranks.

Mr C.J. Barnett: That was very unnecessary. Those comments were very demeaning. You should apologise to those members.

[Leave granted for the member's time to be extended.]

Mr M. McGOWAN: The Leader of the Opposition has interjected on me during my whole address and now he says that I said some demeaning things simply because I referred to the front page of the newspaper. Surely that is an issue for public debate. I am sure the member for Kalgoorlie would also think so.

What arguments has the Liberal Party provided on this issue? Firstly, country areas will be disadvantaged and, secondly, the entity will drop in value. I do not accept that and I do not accept the Leader of the Opposition's figure. The entity will exist, but in four parts.

What is the upside of the split? Firstly, Western Australia will keep the bulk of its national competition payments. However, according to the Leader of the Opposition, we will not keep them.

Several members interjected.

The DEPUTY SPEAKER: Order, members!

Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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Mr M. McGOWAN: Members should know that the relevance of the Leader of the Opposition's arguments about the value of the entity applies only if he wants to sell it. This Government does not propose to sell it, so his argument is irrelevant.

Mr C.J. Barnett: It affects credit ratings.

Mr M. McGOWAN: The credit rating agencies are watching this issue very closely, as the Leader of the Opposition should know. They support business, competition, more people investing in Western Australia, an increase in our gross state product and more jobs. They see those issues as far more important than the Government owning a single utility holus-bolus. The only significance of the Leader of the Opposition's argument is that it will reduce the capacity of the State to raise as many funds as were raised in Victoria and South Australia by selling it off.

Mr C.J. Barnett: Where does the \$500 million go?

Mr M. McGOWAN: I do not accept the figure. In any event, it will go to lower electricity prices, more jobs and more investment in this State.

Mr E.S. Ripper: It goes to customers.

Mr C.J. Barnett interjected.

The DEPUTY SPEAKER: Order! Members, I am on my feet. I have had enough interjections across the Chamber. I would like the member on his feet who has the call to have a chance to finish his speech.

Mr M. McGOWAN: What does the Liberal Party propose? I listened to the member for Darling Range and I cannot understand why he agrees with three-quarters of this proposal and not the whole proposal. Apparently this morning at its four-hour meeting, the Liberal Party decided to endorse everything the Government proposes, bar splitting the retail and generation sections of Western Power. Liberal members want to keep them together. What are the arguments for separating them? The separation of retail from generation will give the retailer, from whom customers purchase power, the opportunity to buy power from different generators. It will provide a competitive market for retailers. Let us say that only one company, Telstra, was selling mobile phones. What would happen to the price of mobile phones? They would increase. In Rockingham City shopping centre, four shops compete against one another to sell mobile phones. What does that do to the prices of mobile phones? It drives them down because there is competitive retail tension in the market place. That is all that this is about.

Mr C.J. Barnett: Why did it not drive down the price in South Australia or North America?

Mr M. McGOWAN: It was leased holus-bolus to a single energy provider, and that is the end of the story. The Leader of the Opposition does not listen.

Mr C.J. Barnett: What happened in California?

Mr M. McGOWAN: In California the energy market was privately owned by a range of different players. I refer to the argument against privatisation, which the Leader of the Opposition wants to implement. Let us say that as a major company he invests the money in generating capacity and he buys a private power station worth up to \$1 billion, depending on its size. What would be in that company's interests? Its interests would be served by making as much money out of that major investment as possible. What happens? The fewer people in the marketplace, the higher the price would go, because the company would run its assets as hard as it could. That has happened in Melbourne and California because they sold it all off, as the Leader of the Opposition is proposing to do.

Mr C.J. Barnett: There is one little detail. You just contradicted yourself. The energy industry in California has always been private. It was not privatised. What happened is that the public utilities board of California required disaggregation. That brought about chaos in California. It was private from day one. It was never publicly owned.

Mr M. McGOWAN: All the arguments and this argument by the Leader of the Opposition should be treated in the same way. The Liberal Party's ambition on this legislation is simply to be a spoiler. Every industry group, every sustainable energy provider and all the independent commentators support us, except for a couple mentioned by the member for Darling Range, whom he will not name. He said that credible people were saying that it is wrong. Who? The member for Darling Range will not name them. He will not tell us who they are. That is how credible they are! The Liberal Party has gone for secret advisers on this matter. The member for Darling Range said that they are opposed to it and that they say it is all wrong. However, the broad mass of the business community and those who want to invest in power generation that does not produce any greenhouse gas or produces limited greenhouse gases are saying that this is the way to go. The success of Queensland and New South Wales -

Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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Mr E.S. Ripper: Sensible unions.

Mr M. McGOWAN: Some in the union movement want to see more jobs for members in the industrial fields. They realise that lower prices mean more industrial activity and more jobs. Our position is antiprivatisation. The Leader of the Opposition would privatise. Our position is well thought out. Theirs was thought out today in a party room meeting, after the Leader of the Opposition said the whole way along that there would be no change. Suddenly they have endorsed everything bar the last hurdle. The Government has answered the critics. A range of people in the Liberal Party know that all the Leader of the Opposition is trying to do is to act as a spoiler, as a historic captive of the former views of Western Power. It is about time that the Liberal Party actually realised that this is a significant issue to improve the position of ordinary Western Australian electricity consumers and businesses.

**MR M.W. TRENORDEN** (Avon - Leader of the National Party) [11.27 pm]: As the member for Rockingham just outlined, the National Party came to its position only this morning after having received a briefing from the reform group. We have decided to oppose all three Bills. That is somewhat of a pity because we looked at the process and received a suitable amount of input from private operators. However, in the end this whole process has gone for a year and has totally ignored rural and regional Western Australia. I went to a briefing by the Chamber of Commerce and Industry of Western Australia a few weeks ago. The CCI was calling for people to get involved and to contact political parties to get support for the Bill. No publication at that meeting mentioned anything outside the metropolitan area except, maybe, Geraldton, Bunbury and Albany. They certainly did not refer to the heartland of Western Australia. When I put that question to the people who were giving the briefings, they said that they had been to regional Western Australia - they had been to Bunbury, Geraldton, Karratha and Kalgoorlie. They had talked to all those people, but they had not been to the people to whom we had been.

In mid January, 250 people at a meeting in Koorda were ropeable. Two weeks ago, 150 people at a meeting in Jerramungup were ropeable. Interestingly, none of the 150 people at the Jerramungup meeting mentioned this issue. It was a meeting about Western Power, but not one person raised this debate. People do not care how much power costs and who generates it if they cannot get any. That is the bottom line. If people cannot get power, those other niceties that the Government wants to debate do not matter. We would have been inclined to consider supporting the Bill if it had contained a few protections for constituents who live outside the metropolitan area. However, those protections are not in the Bill, and we are not in a position to write amendments to include them. A few weeks ago I directed my staff to try to write a number of amendments that might have made the Bill acceptable to the National Party. However, the facts are that that could not be done with the resourcing we get. Despite the capacity of the excellent people in my office, we are not experts on this issue. My office is not capable of writing amendments suitable for this legislation. When we asked CCI and the reform group why they did not go to the regions and bring back words and measures that would give some protection to the areas we are concerned about, there was silence. CCI did not do that. The Government did not do that. On at least two occasions we advised the minister's people that if they talked to us about a couple of key areas and told us how they would meet the concerns, we would seriously consider supporting the Bill. In a few minutes I will discuss a few reasons the Bill should be supported. However, the bottom line related to the regulator's report of the Koorda meeting a few weeks ago. We put that meeting together. We brought the 250 ropeable people to Koorda. What was the first thing in that report? Did any on the government side read it? The first paragraph said that if power in Koorda and similar places was not up to standard, the first option was to reduce the standards. The Act allows the minister or Western Power to reduce the standards. That is totally unacceptable. That is a minor area in which the minister could have, if he had wanted -

Mr E.S. Ripper: That is okay for Telstra.

Mr M.W. TRENORDEN: It is not okay. We have been arguing that debate for three years. What about the minister? If he really wanted the support of country people - regional support - and the National Party, he would have dealt with that relatively minor issue. However, he did not bother because country people do not matter.

Mr E.S. Ripper: Country people will be advantaged by this reform.

Mr M.W. TRENORDEN: They will not.

Mr E.S. Ripper: They will be advantaged by this reform.

Mr M.W. TRENORDEN: I heard the nonsense of the member for Rockingham. The involvement of private enterprise in the generation of electricity will free up the capital. Two weeks ago the minister said in this place that that capital could be put into health services. That really excited people in country areas.

Mr E.S. Ripper: Do you not want country health services supported?

Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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Mr M.W. TRENORDEN: No, we do not. We want power supplies supported. People out there want power.

Mr E.S. Ripper: It is available for networks, but it is also -

Mr M.W. TRENORDEN: The minister told the whole world that he would not do that. He said that he would put the money into the health budget.

Mr E.S. Ripper: I said it would be available for networks, health, schools. Networks are important.

Mr M.W. TRENORDEN: That is exactly the point that we in the National Party want to make.

Mr E.S. Ripper: What do you want?

Mr M.W. TRENORDEN: I will tell the minister, if he will listen.

Mr E.S. Ripper: Do you want to move an amendment?

Mr M.W. TRENORDEN: No. As I have said, we do not have the capacity to write amendments. We have only four staff members.

Mr E.S. Ripper: What mechanism do you support putting into the legislation?

Mr M.W. TRENORDEN: I have 24 minutes in which to tell the minister, and I will. I am starting on that process. We have a long-established process - which could have been copied, and in fact has been partly copied, in the Bill - in the Water Authority, with the use of community service obligations. That process could have been put into the Bill for those people in the south west interconnected system. The people who are covered by the regional section of the Bill will get a CSO, but not the people in the SWIS. That is totally wrong.

Mr E.S. Ripper: That is covered by the average transmission charge. There is an internal cross-subsidy.

Mr M.W. TRENORDEN: This week, two people from Clackline came into my office. Two years ago they decided that when they retired they would move permanently from Perth and live in Clackline. That was their dream. When they brought their house two years ago, they told Western Power that they wanted to put power into their house, and they were told that the cost would be \$14 000. This is for a domestic dwelling. It blew their boots off, but they accepted it. However, having now made their plans and having retired, when they went back to Western Power they were told that the cost to put in domestic power is now \$35 000 - and the minister wonders why we will not support the Bill!

Mr E.S. Ripper: So you want that sort of situation to continue, do you, because that is what the existing organisation produces?

Mr M.W. TRENORDEN: The cost was \$14 000. Under the minister's regulations, it is \$35 000.

Mr E.S. Ripper: It has nothing to do with my regulations. I have not changed any regulations.

Mr M.W. TRENORDEN: Yes, it has. The minister has removed a raft of subsidies from the system in the past two years.

Mr E.S. Ripper: Out of Western Power?

Mr M.W. TRENORDEN: Yes.

Mr E.S. Ripper: No. There has been no change in policy.

Mr M.W. TRENORDEN: Yes, there has. In May this year, the price for those people will go up by another 15 per cent, because the 15 per cent discount will be removed. That is what the minister's officers are telling these people. Why should people who live in Clackline have to pay \$35 000 to get power to their house? What does it cost a person who lives in Scarborough or Swan Hills? This is totally unacceptable. There is no measure in the Bill to give regional people some comfort that there will be an extension in the delivery of power. Brownouts and blackouts are occurring from Geraldton to Esperance. Even though Esperance is not in the SWIS, the people who live halfway between Esperance and Perth are in the SWIS. People are very concerned about the delivery of power. All we are asking for is some provision in the Bill to give these people comfort that if their members of Parliament - the members of the National Party - support the Bill, they will not be left out in the cold. The minister has refused to do that. Therefore, we will not support the Bill but will oppose it. We will not even support the Liberal Party. I understand that the Liberal Party will vote for the first Bill. We will not, because the minister has ignored country people right throughout this process.

Mr E.S. Ripper: Did you make a submission to the Electricity Reform Task Force?

Mr M.W. TRENORDEN: We are doing that today. Members of Parliament make submissions right here. This is where we make submissions.

Mr E.S. Ripper: Then move an amendment.



Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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Mr M.W. TRENORDEN: We do not have the capacity to write amendments, as we have told the minister.

Mr R.F. Johnson: Perhaps if the minister had given us a reasonable length of time to consider these Bills, we could have proposed some more amendments.

Mr M.W. TRENORDEN: We told the Chamber of Commerce and Industry of Western Australia and a number of other organisations that if they gave us some assistance to write those amendments, we would consider doing that, but that did not happen either. We do not have the capacity to write the amendments. We have two options: support the Bill or reject the Bill. We reject the Government's Bill. That is unfortunate. I agree with some of the things in the Bill. I agree that it is abominable that people cannot privately sell power into the grid. That is a good provision in the Bill and it deserves a tick; that should be supported. I do not have a problem with generation. However, what the Government has done throughout this process from the time it started is run a totally metropolitan argument.

Mr E.S. Ripper: Was the decision to put the regional Western Power headquarters in Karratha a metropolitan argument? Is that what the member is saying? Are you saying that the National Party will vote against the establishment of a regional power corporation?

Mr M.W. TRENORDEN: Yes.

Mr E.S. Ripper: You are kidding me.

Mr M.W. TRENORDEN: No, I am not.

Mr E.S. Ripper: Will you vote against shifting Western Power managers from Kewdale to Karratha?

Mr M.W. TRENORDEN: Yes. The Government has given us two options -

Several members interjected.

Mr M.W. TRENORDEN: The Government has a fantastic record! It moved the Department of Fisheries to Mindarie Keys. The Government has moved the Department of Agriculture. The member for Albany's Government has basically sacked half of the department's staff in Albany.

Mr P.B. Watson interjected.

Mr M.W. TRENORDEN: The federal department of agriculture?

Mr P.B. Watson interjected.

Mr M.W. TRENORDEN: The federal grants get paid to the Western Australian Government, which then pays the salaries. The member is ignorant about the agricultural process. He does not know how it works. We agree that there is a good reason that consideration should be given to supporting these Bills. However, if government members go to the regional areas and ask country people - as we have for a considerable time - what the Bill is about, the first thing they will say is that it is about privatisation.

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: Of course I do not correct them; it is the Government's Bill. We have not misinformed them because we have not debated that issue. The Government has not sold the Bill to those people. It is not our job to sell it to them; that is the Government's job.

Mr P.B. Watson: You sold the assets.

Mr M.W. TRENORDEN: The Government is privatising it. Will there be no private generation of power? It is the Government's issue. The Government, not the National Party, must sell this.

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: We do not have the responsibility of selling the Government's policies. That is the Government's job. In this case we have not run down the process. We have not done anything about debating the matter. We have listened to what people have had to say. We listened to what 250 people had to say at a meeting in Koorda. Were any members of the Labor Party there? Not one of them was. Were they in Jerramungup? No, they did not bother to go to that meeting because it was attended only by country people. Not a solitary member of the Labor Party bothered to come to those meetings.

Mr P.B. Watson: Did you come to my branch meeting in Albany?

Mr M.W. TRENORDEN: I did. I was sitting in the office. Does the member remember that he showed me the dead man on the pyramid?

Mr R.C. Kucera: Is that the one who looks like you?

Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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Mr M.W. TRENORDEN: That is right. I thought it was me, but I had another look. It was probably my father.

This is an important issue. If the Government really wanted this Bill passed, it would have thought harder about it. The Water Corporation pays dividends. It is a very similar to Western Power. A mechanism is in place for the Water Corporation to spend some of those dividends on community service obligations, which allows the Water Corporation to carry out non-commercial functions. It allows a corporatised entity to receive money from the State to carry out functions that are non-commercial. The minister is not taking any notice, but that is what we wanted. There are plenty of examples of how that can be done. The Government can quite rightly criticise us about the area outside the south west integrated system, because we agree about that area. It has actually been done there. Why did the Government put a CSO component into the non-SWIS area and not in the SWIS area? It must be a deliberate act. The Government has left regional people out on purpose, and there is no way we will tell those people they should be receiving a dreadful service so that the Government can put another \$200 million into an ailing health system that it knew how to fix.

Mr C.J. Barnett: It is all being spent on the railway.

Mr M.W. TRENORDEN: Exactly; the Government knows where the money is going - \$2 billion is being spent on a railway line to Mandurah.

Mr M.P. Whitely: How much would you have spent?

Mr M.W. TRENORDEN: About sixpence, if I could have found it.

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: The member asked me what I intended to put in. That was in a previous Government. If I were asked, I would put sixpence in, if I could find it.

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: As far as I am concerned, there will be no rail; I oppose it totally.

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: He was a minister in a previous Government that was prepared to put in \$850 million, not \$2 billion, like the present Government. The important part here is that if the Government does not offer regional people some guidance in this process as to why they should support the Government's Bill, why should they do it? The Government has not even bothered to speak to regional people. There have been two major public meetings, and the minister was invited to both. I know that the minister cannot get to every meeting, but surely someone could have turned up. They did not bother; there is no point. It is only a country town, and the people are only country hicks. Why bother to turn up there? As the minister said in a debate in this place earlier this year, it is a privilege for country people to have power. It is a right for city people, but a privilege for country people, and they should be grateful if they can get it once a week. We will not support these Bills.

Mr J.N. Hyde interjected.

Mr M.W. TRENORDEN: That is what the minister said. He said earlier this year that it is a privilege for country people to get power.

[Leave granted for the member's time to be extended.]

Mr M.W. TRENORDEN: We will go out and put this argument, if the minister wants to do some work and come back and talk to us at some time in the future about a community service obligation component and a guarantee of minimum service. It is not there at the moment. It can be altered by the minister of the day or Western Power. There is no guarantee of service standards at all. There is no comfort in this Bill whatsoever for country people. I know we will disappoint some very fine people in industry, and a range of people for whom it is important that this Bill be passed. I do not have a lot of argument with the generation component. I understand why they want the generation component, but this House and this minister are meant to govern the State for all Western Australians, not just for a privileged section. That is what is happening in this Bill.

Mr C.J. Barnett: The Labor Party has not said anything about low-income people and people in remote areas. It has given no consideration to the consequences for low-income and dispersed ordinary people. Not one person in the Labor Party has raised that.

Mr M.W. TRENORDEN: I agree with the Leader of the Opposition. The member for Rockingham was talking about benefits for consumers in my area. What consumers in my area? I do not have any mines or major industry in my electorate. Which consumers is he talking about?

Mr C.J. Barnett: There are no big consumers.

Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: Maybe that is the case. I will run through a bit more history about my electorate. Ian Taylor, one of the finest members of the Labor Party, purchased some land through LandCorp 18 kilometres east of Northam, which was called the Meenaar industrial park. After a long history, two businesses were established in that industrial park. Other people wanted to go into the park but the power allocation had been fully utilised. An amount of \$550 000 would have been needed to buy another transformer to supply extra power for the park. Of course, Western Power and Cabinet said no.

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: But the private generator will not put in the power. The private generator will produce the power, but who will put the line in?

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: Where is it in the Bill? It would also apply to the Mandurah railway line or to health services. If the Government had really wanted those people to support it, it would have included some mechanism similar to that applying to the Water Authority of Western Australia for community service obligations, or other mechanisms could be used, but that was not done for a purpose. The Government did not do that because it did not want to do it. It would not have added any cost to the process. There are many other examples in the western world in which CSOs and private funds have been used. If private enterprise in some form wants to put up the money for that transformer, so be it.

Mr J.N. Hyde interjected.

Mr M.W. TRENORDEN: But it is not on the south west interconnected system, the SWIS.

Mr J.N. Hyde: Under your previous Government they were paying higher charges. That is a real problem.

Mr M.W. TRENORDEN: I know that is a real problem, but it is not part of this debate. That is outside the SWIS. Esperance does not form part of this debate. I will not argue with the member for Perth; I agree with him.

Mr J.N. Hyde: Did the current system work? Did it deliver equivalent power to regional Western Australia?

Mr M.W. TRENORDEN: Correct. We have been asked to vote for a Bill that will do the same thing; it will not deliver the supplies either. Why should we support it? Can the member give me one reason why we should support it? The legislation does not contain a single reason. The member can argue that it will release funds that could be used in the system. Where is the Government's record - Moora District Hospital?

Mr J.N. Hyde: Our record is in Denmark.

Mr M.W. TRENORDEN: Moora District Hospital is the Government's record - \$6 million out of a \$3 billion health program. Geraldton had a \$13 million overrun on its budget. Today the Minister for Health presented a paper stating that on 20 May this year the consultancy said that the Geraldton hospital could be built for \$40.5 million. It is out of control.

Mr M.P. Whitely: Were you told it could release funds?

Mr M.W. TRENORDEN: If the member really believes that argument, why was a mechanism not included in the Bill for some of that money to be used for this purpose? The reason is that the Government did not want to do it, otherwise it would have done it. The Government has made a clear and deliberate decision not to put those released funds back into the system. It has been done in the water authority legislation, but it has not been done in this Bill. That is a deliberate decision made by the Government. Because it has made that decision, we will oppose the Bill.

**MR R.F. JOHNSON** (Hillarys) [11.54 pm]: I will keep my comments fairly brief because of the lateness of the hour. I certainly do not want to be responsible for keeping members here after midnight. It is five minutes to midnight now, and I know that more members wish to speak to this Bill.

I have some concerns. My initial concern is that this Bill is being rammed through this House by the Minister for Energy ahead of the normal scheduled time that any other Bill would take. That is not an arguable point; that is an absolute fact. One must ask why the Government is in such a rush to get this legislation through the House. Is it because there are deficiencies in the three Bills currently before the House? I suggest that there are, because the minister seems quite happy to consider some amendments; he is inviting amendments. I know that he desperately wants to pass the legislation through this House and send it to the other place, even though it will not go far in the other place before Christmas. My first concern is a genuine concern. I always get a bit worried

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when the Gallop Labor Government tries to rush legislation through this House. Legislation that is rammed through the Parliament is never good legislation. The Government has the numbers in this House to do that. It does not have them in the upper House, so it will treat this Bill with a lot more respect and it will listen to the comments of and accept amendments from members in the upper House because it is desperate to get it through both Houses of Parliament.

Another of my concerns is that I do not believe the minister is being completely honest with us about electricity prices in Western Australia. Today he was asked a very simple question about the 65 000 small businesses in Western Australia that could receive a 10 per cent discount on their electricity costs. The information the Opposition has is that that was on the cards, and there was a proposal within Western Power for that to happen. That would have been a good news story for those 65 000 small businesses in Western Australia. However, then we saw the sinister bit. We believe that the minister, or somebody carrying out the minister's instructions, told Western Power that it would not do that and would not look after those small business people, but that it would try to do something after these Bills had passed through the Parliament to show that what it had done was worthwhile. If that is the case, that is a pretty deceptive way to work. However, nothing surprises me with this Government. They are my initial concerns about ramming this legislation through the House with such haste.

I know that the Opposition will not oppose the first Bill, but we will oppose the second and third Bills. My concerns in general terms are about the way this Government is splitting up Western Power from a single entity into four separate units. Those practices have not worked very well elsewhere in the world. The wheels have come off. It has happened in the United Kingdom.

Mr E.S. Ripper: Why has the Liberal Party supported disaggregation? The Liberal Party does support disaggregation, doesn't it?

Mr R.F. JOHNSON: I will come to that. I totally support reform and competition within the electricity market. I would like to see benefits for all Western Australians, not only businesses and industrial users, but, very importantly, residential consumers as well. From what I can see, residential consumers will receive no benefit whatsoever from this legislation. I will tell the minister why. There will be limited competition in the market because we are a small population State. This type of competition works better in the eastern States with populations of three million or four million people. Such numbers are needed to attract enough industry into the generation of electricity to cause competition. Competition in the retail side of the equation would result in benefits for consumers. There would not be enough competition to make it worth their while in a tiny population and a massive area like Western Australia, which is the size of Europe. We have heard from members about the horrendous cost of delivering electricity to rural areas. I understand that difficulty. The bulk of the population of Western Australia is the 1.4 million people in the metropolitan and outer metropolitan areas. We are about half way to what I suggest would be a good size to attract true competition to make electricity prices cheaper.

I would like to see cheaper electricity prices because prices are currently too high. It is possible under the present regime for Western Power to reduce electricity costs by 10 per cent to 65 000 businesses. I ask the minister: why did he not allow it to go ahead? Why did he not answer the question asked today? It required a simple yes or no answer.

Mr E.S. Ripper: I did answer it.

Mr R.F. JOHNSON: The minister did not answer it.

Mr E.S. Ripper: I read the *Hansard*; I answered it.

Mr R.F. JOHNSON: The minister gave an answer, but it was not an answer to the question. It was a simple question that needed a yes or no answer. We have got used to tricky answers from ministers on the Treasury benches. I remember when the Minister for Energy sat on this side of the House; he kicked up a stink and went blue in the face if he did not get an answer to a question. I admit that on occasions some ministers in the previous Government did not give the answers they should have given. However, we get it all the time from ministers opposite.

I was talking recently to somebody with great insight into and a great working interest in Western Power. That person also was an integral part of a major business in Western Australia, and I respect his views very much indeed. He knows exactly what is going on in Western Power. I will not tell the minister his name, as I assured this person that I would not do so. I put to that person the way I saw the situation as a layman. We spoke on the weekend about two and a half weeks ago after the minister dropped the legislation into the House, and I said that we should look at the legislation in simple terms from the public's point of view. People must get their minds around this proposal and this legislation. The public would not have a clue about how to understand the legislation, which contains a lot of technical detail. I said that we should look at the current proposal of the minister and the Government from the public's perspective. The argument they come up with is how can one

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bureaucracy and entity, that is, Western Power - it does a pretty good job although it could be cheaper and more efficient and that is one area we should look at - achieve any advantage by being changed into four bureaucracies? I put that to the minister outside this Chamber and he told me they would not all be bureaucracies; some would come from here and some would go from there. I have seen how government agencies and corporations work. The minute they are split into smaller entities, they end up with more sets of bureaucracies. Who does it affect most? It affects the owners of Western Power, who are the people of Western Australia. They are the shareholders. I am concerned for them because I do not believe this legislation is the best deal that could be made. I am not against competition or private companies getting into the power generation and retail markets. As I have stated, because of our population, it is probably a bit premature at the moment. Most big mines produce their own electricity anyway.

Who will be the winners and losers under this legislation? I suggest that the losers will be the residential consumers and the shareholders. They are one and the same; they are the people of Western Australia who pay for electricity and, through the Government, own the shareholding of Western Power. One has to ask the question, what are the benefits? I do not see any benefits at this stage because it has not been thought out properly.

I have been a businessman most of my life and I believe that if something can be done by private enterprise at a better and more economical rate for the consumer, the business should be given to that private enterprise. We should buy expertise to carry out these sorts of reforms. We are not necessarily doing that. These changes will be for only a few people. Apart from what I have mentioned, I am concerned that we will wipe at least \$500 million of asset value from Western Power that belongs to the people of Western Australia. That is the initial cost if this happens. We will also charge the people of Western Australia \$153 million for the pleasure of breaking up this utility. I suggest it will be a lot more than that. I was informed of something a few weeks ago that has subsequently come out in the briefings. Not a lot of people are aware that the information technology system in Western Power is enormous. The system is integrated from generation to transportation and delivery through the wires to retail and every single customer. It is in place and worth millions of dollars. The task of disentangling that system will take months, if not a year or more. That is just one aspect of Western Power. I am told that the cost is incorporated in the \$153 million. The estimate given by the minister's Treasury and Office of Energy experts is \$92 million. If they say it is \$92 million, we can bet our bottom dollar that the cost will be half as much again. That will be the final cost.

Government departments seem to underestimate everything, as they did with the cost of the Mandurah railway line which will cost \$2 billion at the end of the day. This is such a folly, but the trouble is that it is not the minister's money so he does not worry about it. If it was his money and he was running a business, he would not let this happen; however, because it is not his money, it is like monopoly money for ministers on the other side. It is not their money, but I will tell them whose money it is: it is the money of the taxpayers and the people of Western Australia. They are the people I care about. They are the people the minister and his Government should be caring about, yet they do not give a monkey's about what is happening. They have let down the people of Moora, as we have heard today, and everybody who wants to buy a house. We know that with all the money the Government is raking in it will fill a war chest for next year when the minister will give away money like a man with no arms. That will be deceiving the people of Western Australia.

I did say that I would be brief. I have spoken for only 15 minutes and I will not ask for an extension because of the lateness of the hour. I hope that the Government will give this a bit more consideration. If it had any sense at all and its minister was not so desperate to ram this legislation through this House, it would perhaps get more cooperation with other legislation. We are not opposing this Bill but if the Government wants to get legislation through this House with the acquiescence of the Opposition, and hopefully through the upper House, the Government should take a bit more time. I bet that this legislation will not get through the upper House this side of Christmas because it will almost certainly go to one of its committees. That should have happened in this House.

The minister should have introduced the legislation into this House a few months ago. If he were not in such a hurry, he would allow it to go to a select committee so that we could get even better advice from other parts of Australia and perhaps also other parts of the world. Let us have a really good look at this legislation, because this is the most significant economic legislation that this House will deal with during this Government's four-year term. It will either make or break the Government. Because of the way in which the Government has treated this House on this legislation, I believe with contempt, I do not believe that the Government will win at the end of the day. In many respects Western Australia will be worse off because of that, because we need changes and we need to ensure that Western Power is more efficient. The Government could do it in different ways.

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The Government could get the legislation through this House because it has the numbers, but if the Government does not get it through the upper House and it falls over, it will be a terrible waste. If the Government were to work more closely with the Opposition, we could probably come up with legislation that would be to the benefit of everybody. The Chamber of Commerce and Industry of Western Australia, the Chamber of Minerals and Energy and the consumers, whom we must not forget, could be asked to approve this legislation; it should not merely be one section of the community but the whole of the community. I hope that the minister will take some of these comments on board, but I doubt that he will. If at the end of the day he is not prepared to listen to some reason and deal with this legislation with less haste, it will be to his and his Government's cost.

**MR B.K. MASTERS** (Vasse) [12.14 am]: I am pleased that the Treasurer is listening to this debate. I commend him for finding the many hours to sit through some reasonably repetitive comments. I have obtained a briefing from the Chamber of Minerals and Energy and the Chamber of Commerce and Industry, and I have taken some trouble to find out some of the background to the proposal for disaggregation that the Government is putting forward. The minister will also be aware that of all the government agencies in my electorate, there is one that I love to hate. That agency is Western Power. I have raised grievances with the minister and written numerous letters complaining about its behaviour. I hope that all those unfortunate and sad activities or involvements I have had with Western Power have not blinkered or blinded me to what the minister hopes will be the truth of his disaggregation proposal. However, the bottom line is that, having listened to both points of view, I am not convinced that lower electricity prices will be achieved by disaggregation. What is being proposed will open up Western Power and the electricity market to competition; there is no doubt about that. However, with the way in which competition will occur in Western Australia under the minister's model of disaggregation, I am not convinced that that competition will lead to universally lower consumer prices.

Mr E.S. Ripper: Let me get this right. You are a Liberal Party member who does not believe in the benefits of competition.

Mr B.K. MASTERS: I have a philosophical belief in competition. However, in 1896, the United States Congress passed the Robinson-Patman Antitrust Act to control unbridled competition between entities that had the power to use their monopoly or other non-competitive powers to manipulate markets for their own personal interests rather than for the interests of the community. The bottom line is that I put the community first and the benefits of competition, economic and otherwise, second. In all of this I have been guided by whether the community of Western Australia will benefit from the disaggregation of Western Power. Based upon the arguments put forward to me by industry, by the letters the minister sent to all Liberal members of Parliament and other arguments, I am simply not convinced.

The shadow Minister for Energy, the member for Darling Range, read out the e-mail he received about the South Australian experience. I will not read it out, but there is no doubt that South Australia experienced significant price rises. Unfortunately, the minister has not yet convinced me that there will be genuine reductions in electricity prices in the foreseeable future. One quote that is apparently attributable to the minister is that Western Power has promised to reduce electricity prices, I think, across the board, but certainly in general terms by 8.5 per cent over 10 years. That is not particularly impressive when one considers the graph put out by the Electricity Supply Association of Australia. I appreciate that the minister will have trouble seeing it from the other side of the House. However, the line that I have coloured in red on the graph shows the decrease in 2002-03 dollars in the cost of electricity in WA. It went down by 21 per cent over nine years. That decrease in the cost of electricity occurred at a time when Western Power was not disaggregated. Western Power was corporatised and other pressures were placed on Western Power to make sure that prices came down. Twenty-one per cent over nine years is a pretty good effort by Western Power. According to this graph, it was beaten by only Queensland, whose costs came down by roughly 22 per cent over the same period. That was a far better result than the Northern Territory, whose costs came down by 15 per cent. Costs in New South Wales came down by 14 per cent and most of the other States maintained electricity prices at the same level as 1994-95. In the case of South Australia, the prices went up. However, I will not go over that one, because I know the minister is aware of it.

I had no confidence that there would be lower electricity prices after I read the first two paragraphs of an article in *The West Australian* of Thursday, 13 November that stated -

ENERGY Minister . . . refused yesterday to guarantee the controversial four-way split of Western Power would deliver lower electricity prices to households.

Asked whether residential prices would fall once Western Power was broken up, Mr Ripper would say only that he guaranteed downward pressure on prices due to increased competition.

I ask the minister to say, by way of interjection or in his second reading reply, what he believes electricity prices will do in the next 10 years for all the different market segments that use electricity. Clearly the industry

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believes it will enjoy a significantly lower electricity price. If the minister can quantify that price, I will be very interested to hear what he has to say.

The ACTING SPEAKER (Mr A.D. McRae): Members, there is too much background noise. The member for Vasse has the call.

Mr B.K. MASTERS: Thank you, Mr Acting Speaker. I was having trouble hearing myself.

I understand that the households of Western Australia that use electricity - the mums and dads with two or three kids who live at home - account for about 20 per cent a year of electricity used in Western Australia. I was also told that those people cause more problems during peak power demand than any other segment of the supply industry. As has been said tonight, those people wake up in the mornings and turn on their room heaters, water heaters, electric kettles, radios and showers. Therefore, first thing in the morning there is a significant increase in electricity demand, which then drops off as people go to work, school and so on. There is an even bigger increase in demand in the evening when everyone comes home and meals are cooked, showers taken, washing machines turned on and so on. Although household consumers of electricity represent only 20 per cent of the electricity market in the dollars they pay to Western Power, in reality they are an important part of the electricity usage picture. It is important, therefore, that they be told, in advance of the vote on this legislation by both Houses, exactly what electricity prices will do for households in the State. South Australia is not a very good example and I will not dwell on it.

The recent price history in Western Australia is very significantly downward by roughly 2.5 per cent a year and is roughly in line with inflation. I commend Western Power for being able to maintain that downward pressure, in spite of the corporation not being disaggregated. However, I ask the minister to respond to the suggestion by his fellow minister earlier this afternoon that Amity Oil NL has the potential to crack the nut and extract gas in an economic way from the Whicher Range gas fields located south of Busselton and, for the most part, in my electorate. Should Amity Oil be successful, a very significant volume of gas will come onto the market. That gas will be used not only for the supply of domestic heating in Busselton but also by industry in the south west. No doubt the first thing Amity will do is sit down with some of the large electricity users in the south west, possibly in partnership with AlintaGas or Wesfarmers Ltd, and talk turkey with them to arrange to build a new power station in the south west that will use gas delivered potentially by its own pipeline from the Whicher Range gas field. That is an unknown, and I am sure the minister will be very guarded in his comments when he replies to that issue. Nonetheless, it is part of the energy picture that cannot be totally discounted and it is important that it be considered, at least in a cursory manner, in the overall scheme of things.

Mr C.J. Barnett: If that proves successful, it can happen now; the legislation makes no difference.

Mr B.K. MASTERS: That is right; disaggregation would make no difference to Amity should it be successful in extracting that gas and possibly coming up with its own electricity generation plant. I had a phone call last week from a former associate of mine in the mining industry, who advised me that he has secured funding to allow him to drill a number of holes throughout my electorate and that of the member for Warren-Blackwood to look for methane gas that is emanating from some of the coal seams that are known to occur in the area south of Australind and that have been trapped in areas away from the Whicher Range gas field. He did not give me any technical information, so I do not know how likely he is to find the gas. However, he said that the existence of a significant gas resource in the Whicher Range suggests that the Sue coal measures - the source of the natural gas in the Whicher Range area - are likely also to have leaked gas into other sedimentary units. All he has to do is find them in a geological setting that is more favourable to the extraction of that gas than Amity Oil has historically found in the Whicher Range gas field. Should that methane gas exploration prove to be successful, the whole energy picture in the south west will change yet again. The scenario I painted for Amity Oil to provide the electricity plant proposal could be repeated with the company that is looking for methane gas. There are too many uncertainties to really be able to say with any confidence that this disaggregation model is ideal.

That leads to my second major reason for not being prepared to support the Government's changes to Western Power. I am not convinced that the changes needed to bring in competition to allow other parties to produce electricity and feed it into either the grid at the top end or at the retail end and take it out, cannot occur by the minister's saying that he will make a policy decision to enable that to happen. The minister is saying disaggregation is a prerequisite for competition at the top and bottom ends of the industry. I would like to know why he cannot release a policy statement directing Western Power to come up with a technical policy over the next three months that will allow anyone who wishes to produce electricity to have access to the transmission and distribution network. To date, I have not heard of any reason he could not do that. I cannot understand why he has not simply directed Western Power to say that. Other competitors are in Western Australia; AlintaGas already has a very efficient computerised system of retailing its gas to a large number of customers. It is clearly very interested in supplying electricity to domestic customers, mainly in Perth. Why can the minister not direct

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Western Power by way of a government or ministerial policy decision to make it happen? What is stopping the minister from saying to the people at Western Power, who I know are technically very competent but are also very protective of their patch of turf, that it is time to change and that we must move on? We talk about the need to bring in competition to lower the production cost of electricity from which benefits will flow throughout industry and to the community and so on. However, the information I have been supplied - the minister can tell me if I am correct - is that the contracts into which Western Power entered some years ago with the Collie coalmining companies require the sale price of Collie coal to be between \$40 and \$65 a tonne. If those figures are roughly correct, it is important to compare them with the price of coal in the eastern States. My information is that the export price for coal from the large mines east of Melbourne, north west of Sydney and in the Bowen Basin and other places in Queensland is between \$15 and \$20 a tonne. Unless the minister is able to show me how disaggregation will lower the cost of the Collie coal that is being or will be fed into the power stations in Western Australia, I cannot see how disaggregation will lower the price to any significant degree. Competitors may be able to come in and buy coal off the Collie coal producers at a significantly lower price. Over a period of years, there may be so many new competitors or electricity suppliers in the market that the end result will be that we will end up with 30, 40 or 50 per cent more in new electricity production using coal at a value, say, of \$30 a tonne. That will be reflected in a lower electricity price. However, a significant amount of electricity will still be produced from Collie coal at \$40 to \$65 a tonne. Until those contracts are changed in 2010, there will be no potential for Western Power to lower the cost of its production of electricity by any significant degree.

[Leave granted for the member's time to be extended.]

Mr B.K. MASTERS: The \$153 million break up cost for Western Power is a lot of money. In my view it is not justified. My understanding is that the \$153 million will physically separate or create three or four sections from Western Power. The money will pay for the physical removal of people from their current offices and into new offices, the employment of new people and the creation of documents and procedures that will allow competition at the electricity generation and retail ends of the market. I cannot see how the spending of that money can be justified. As I said just a little while ago, in my view all the minister must do is to make a policy decision that he and the Government direct Western Power to allow electricity to be competitively sold into the grid at the top end so that retailers at the bottom end will be able to take that electricity out of the network and sell it to anybody who wishes to buy it. The Government does not need to spend \$153 million on disaggregation. It can do it by way of a policy decision and the formulation of procedures to allow competition. We can save \$153 million.

I listened to what the Leader of the Opposition said about the \$500 million reduction in the capital value of Western Power once disaggregation occurs. The Leader of the Opposition is correct. That money does not just disappear. Someone has said that today, without disaggregation, Western Power is worth - let me pick a figure - \$2 billion. Tomorrow, after it has been desegregated, it will be worth \$1.5 billion. Where will that \$500 million have gone? The people who have assessed the value of Western Power today at, for the sake of argument, \$2 billion, have looked at its earning capacity in the short, medium and long term. They have said that on the basis of its earning capacity and the money it is able to return to the shareholders of the corporation - namely, the people of Western Australia - it has a value of about \$2 billion. After disaggregation, that value will be lower because Western Power's ability to actually generate income must, by definition, be lower. Why else would there be a reduction in the capital value of a corporation that exists to create a product - namely, electricity - which is sold to customers at, one would hope, for the most part at least, a profit? There will be a reduced capital value because the earning capacity of the corporation has been reduced; yet, based upon the information I have been given, we will not see lower prices. The Leader of the Opposition put forward an entirely plausible argument that \$500 million of value will transfer from the public electricity generating sector to the existing and, more importantly, future private electricity-generating entities. I do not know why we should experience a \$500 million reduction in the value of a public asset or why \$500 million of what is effectively public money should be handed over to private electricity generators. The minister will need to convince me that there is some logic to that. Someone rhetorically asked me whether what the Government is doing is privatisation by stealth. That person then said that it is actually privatisation by stupidity. There will be a \$500 million decrease in capital value. That capital value will be transferred to the private sector, but the public sector will derive no value from it.

As I said at the beginning of my comments, I have written to the minister a number of times and have raised a grievance with him regarding my concerns about Western Power. I believe that the appointment of a genuinely independent regulator, ombudsman or complaints determiner would go a long way towards solving many of the small and large-scale problems we face in our various dealings with Western Power. In other words, I believe that if the minister makes the policy decision to get Western Power to accept change and accept competition, he should also require the Economic Regulation Authority to become involved. It would be the body that, in theory



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at least, could make sure that prices were controlled in a way that was fair to all the parties. Again, all this could occur without the need for disaggregation.

The Western Australian Sustainable Energy Association has written to me and, I believe, other members of Parliament saying that it strongly supports what the Government is trying to do in disaggregating Western Power into various parts. It believes - I think correctly - that a disaggregated Western Power would create opportunities for sustainable energy sources of electricity such as wind, solar, tidal, hydro and, maybe, biomass to feed into the Western Power network. Unfortunately, although I have a very good rapport with the WA Sustainable Energy Association, I do not believe that it is looking at the big picture in this issue. It is understandably very focused on its very narrow part of the electricity industry. It wants to get its generated electricity onto the Western Power grid. However, not even the WA Sustainable Energy Association has questioned why its goals could not be achieved by the minister or the Government simply issuing Western Power a policy directive. I regret that I must publicly disagree with the position of the WA Sustainable Energy Association; however, it has not convinced me, just as the Government has not convinced me.

In the last few minutes for which I will occupy the floor, I will mention the one significant failing of all the Government's dealings on this issue of the need to change the way in which electricity is generated, transmitted and retailed in Western Australia. It has not adequately addressed the issue of demand management. Around the world there are numerous examples of electricity generators who, like this Government, have been consumed by supply-demand issues. They say that they have to grow the market and they have to build new power stations because the demand is growing all the time. I refer, for example, to an article on page 11 of the November issue of *ESM* - the electricity supply magazine that is put out by the Electricity Supply Association of Australia Ltd - which arrived on my desk today, headed "Western Australians told \$3 billion needed for new generation capacity in 15 years". I have no doubt that these people, like others, are very focused on something that will put dollars in their pockets, and I do not criticise them for that. However, the minister is a member of the Government, and in my view he needs to address the issue of demand management. In other words, the minister needs to look at how we can make the existing users of electricity in Western Australia more efficient, and how we can make sure that, as much as possible, we use every bit of electricity that comes out of the various electricity generating plants around the State so that they will operate to their maximum efficiency and we will not need to go down the path of building another \$3 billion worth of electricity-generating capacity. A classic example is an energy utility in the mid west of the United States of America - I cannot remember the name - that had the choice of either building a new 300-megawatt power station or managing the demand that its customers placed on the electricity supply. It did not take that company very long to realise that by doing energy audits, by supplying households with energy-efficient lighting and by doing the full range of activities that are readily available to anyone in Western Australia to not scrimp on electricity but use it in the most efficient and sensible manner possible, it could delay by 10 years the need to build a new power station. That saved the company \$300 million or \$400 million in that 10-year period. At interest rates of, say, six per cent, that was a saving of \$18 million or \$20 million a year in interest for every year of that 10-year period. Until I am informed by the minister or someone from Western Power that Western Power has made a genuine effort to look at demand management in this State, I will have to conclude that the minister and Western Power are not sincere about being the professional managers of electricity in the State that I had hoped they would be.

Mr E.S. Ripper: The new market will provide opportunities for demand management to be considered.

Mr B.K. MASTERS: The minister is quite right. The new market will do that. However, the current market does that as well. I do not see why, if the minister is serious, he will not say that demand management will be part of the overall strategy.

The ACTING SPEAKER (Mr A.D. McRae): Order! The member for Peel is out of his seat, and he is interrupting the debate.

Mr B.K. MASTERS: I cannot see why the minister cannot simply acknowledge that fact and direct Western Power to build demand management into the Western Australian model of electricity supply distribution and retailing, which also in the minister's mind needs to include disaggregation. I went on the Internet this morning and typed in "electricity demand management", and I found a host of web sites to which I can refer the minister. What I found particularly interesting is that it does not matter to which country we go. Two authors in South Africa wrote a paper titled "The efficient lighting initiative: Bringing about a lighting revolution in South Africa". South Africa is a developing country. It is not a modern industrialised country like Australia. These two authors were able to show significant electricity savings in South Africa, despite South Africa having a much lower usage rate of electricity than is the case in Australia. Another author wrote a paper titled "Residential demand-side management and climate change mitigation". The final sentence in the author's extract reads -

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Energy efficiency and fuel-switching interventions in low-income urban households can therefore provide significant economic, environmental and energy saving benefits to South African society.

If it can happen in South Africa, why can it not happen in Australia?

**MR J.L. BRADSHAW** (Murray-Wellington) [12.44 am]: I rise to oppose the changes proposed by the Government for the simple reason that I do not think that the people -

Mr E.S. Ripper: I thought the Opposition would support this Bill.

Mr J.L. BRADSHAW: I do not support it.

Mr B.K. Masters: Do you oppose disaggregation?

Mr J.L. BRADSHAW: I know what I am saying. I do not support it. I do not have to be a sheep like members on the other side who have to follow the Government's decision because all of their colleagues put up their hands and agreed to it in the party room.

Mr N.R. Marlborough: No wonder Colin has trouble.

Mr J.L. BRADSHAW: I take great exception to the way *The West Australian* has carried on in this morning's paper with regard to leadership because someone in the party wishes to go in a different direction. Similarly, I exercise the -

Mr E.S. Ripper: This is only the fourth policy position put this evening. You are the fourth opposition speaker.

Mr C.J. Barnett: Don't be ridiculous. When will we hear from the member for Collie? Nothing affects his constituency more than this legislation yet we have not heard a word from the member for Collie. Not a word. He has always been a wimp and he has been a wimp again.

The ACTING SPEAKER (Mr A.D. McRae): Order, members!

Mr J.L. BRADSHAW: The trouble I have with this legislation is that the people of Western Australia are sick to death of privatisation and economic rationalism. The Government is privatising the power supplies of Western Australia by stealth. That is all this is. It is a stealthy way of doing it by stealth. Competition sounds good. If members look at what has happened in Western Australia over the past 10 or 15 years, they will see that Western Power's efficiency has hugely increased. Twenty years ago if people wanted to change a light bulb, 12 guys would turn up to change it. Eleven of them would stand below the ladder while one of them stood on the ladder to change the bulb. These days, people would be lucky if one person turned up to change the light bulb. As a result, the costs to the consumer have dropped dramatically over the past 15 years.

Mr N.R. Marlborough interjected.

Mr J.L. BRADSHAW: Can I speak in peace, Mr Acting Speaker?

The ACTING SPEAKER: Is the member seeking the protection of the Chair?

Mr J.L. BRADSHAW: I am. We all want to get out of this place, but when rubbish legislation of this type is introduced, I have a responsibility to stand up for my constituents who are sick and tired of it. If the Government thinks this legislation is so good, why does it not poll the people of Western Australia and ask them whether they want to go down this route? The Government will not have the guts to do that.

Mr R.C. Kucera: It is called an election.

Mr J.L. BRADSHAW: I cannot call an election. Government members are the idiots who can call an election.

The ACTING SPEAKER: Order, members! If the member for Murray-Wellington is seeking the protection of the Chair, I will give it to him.

Mr J.L. BRADSHAW: I am being baited, Mr Acting Speaker, which makes it very difficult.

The ACTING SPEAKER: I am trying to give the member some advice. If the member wants the protection of the Chair, I will give it to him. However, the member should not respond to interjections. I will deal with them.

Mr J.L. BRADSHAW: I will do my best not to, but sometimes it is difficult.

As I said, the Government should put a poll to the people. The member for Yokine said that that occurred at the last election. That is rubbish. Most people would not have known that the Government would go down this path. The Government wants to rush the legislation through this year. The legislation will not get through both Houses of Parliament this year. It might pass in this House, but it will not be passed in the upper House because it is running out of time. The upper House scrutinises legislation and it will scrutinise this legislation.

Mr Colin Barnett; Mr Monty House; Mr Rod Sweetman; Mr Terry Waldron; Mr John Day; Speaker; Mr Mark McGowan; Mr Max Trenorden; Mr Rob Johnson; Mr B.K.; Mr John Bradshaw; Acting Speaker

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It sounds good to talk about competition, but over the past 15 years there have been huge improvements in the efficiency of the electricity system in Western Australia. The Government wants to get away from having to provide power stations and have that debt go against the State. If private enterprise does it, it will produce that power without the Government having to put up the capital costs and affect the State's AAA rating. The problem is that private companies want to make a profit. The advantage of the Government supplying the system is that it is not in the business to make a profit. Although these days it tries to make a profit because it takes the -

Mr C.J. Barnett: It has to maximise and maintain the value of the business.

Mr J.L. BRADSHAW: Western Power pays a dividend to the Government, which I think is wrong; it is just another way of taxing the people, but most Governments seem to want to do it these days. Western Power and the Water Corporation pay a dividend. In the old days, they did not pay a dividend; they just kept the prices down a bit, whereas now it is just another way of taxing the people.

Efficiency has been brought into all government agencies, and things have probably gone in the right direction. We have seen around the world and in the eastern States the effects of privatisation, which is what this Government wants to achieve with these Bills. There are brownouts and blackouts, and the systems are failing. When there is competition in the system, each company must try to provide power at the cheapest prices, so maintenance and plant replacement fall by the wayside. They try to squeeze the best they can out of the equipment they have. Under those conditions, there is the greatest risk of brownouts and blackouts. That is the problem I see, and one that the people of Western Australia do not wish to face. It is bad enough when a storm goes through and wipes out the power for a day or two, but once it fails through inefficient maintenance and bad replacement of machinery or parts, which is the result of privatisation - the path this Government plans to go down - it is a great concern to me, and to the people. Western Power has made great strides in achieving the efficiency of its power production. How much can private companies improve on that? I have not been convinced that these companies coming in will produce power any cheaper.

The only thing I can see is that it will save the Government having to put up the capital to build those power stations. That has not worked in South Australia, where they are paying more for power than we pay here. For years Western Australia had the highest power tariffs in Australia. Western Australia is unique in being a huge State with a small population base, and therefore the cost per unit for producing and reticulating the power is greater. It does not matter what is done, the costs will always be much higher than those in other States and countries because of our huge State and small population. It is important that the production of electricity be retained in the hands of the Government. The legislation before the House is taking the wrong direction, and I do not support it

Debate adjourned, on motion by Mr J.C. Kobelke (Leader of the House).

*House adjourned at 12.53 am (Wednesday)*