

Mr Eric Ripper; Mr Colin Barnett; Mr John Day; Mr Matt Birney; Mr Monty House; Mr Paul Omodei; Mr Mick Murray; Acting Speaker; Ms Sue Walker; Mr John Bradshaw; Mr Rod Sweetman; Mr Jeremy Edwards

ELECTRICITY CORPORATIONS BILL 2003
ELECTRICITY LEGISLATION (AMENDMENTS AND TRANSITIONAL PROVISIONS) BILL 2003

Cognate Debate

On motion by Mr E.S. Ripper (Minister for Energy), resolved -

That leave be granted for the Electricity Corporations Bill 2003 and the Electricity Legislation (Amendments and Transitional Provisions) Bill 2003 to be considered cognately, and for the Electricity Corporations Bill 2003 to be the principal Bill.

Second Reading - Cognate Debate

Resumed from 30 October.

MR C.J. BARNETT (Cottesloe - Leader of the Opposition) [4.35 pm]: Mr Speaker, this Bill is the major component of this suite of Bills relating to the energy industry in this State. I remind members of a headline that appeared in *The Advertiser* just last Thursday - my son's birthday - which states, "Power bills to rise again - Retailer's case for a \$50 annual increase". Members opposite might shake their heads and the Premier might duck for cover, but that is the reality - a \$50 increase in South Australia, following a 25 per cent increase on 1 January. In South Australia, there are now calls for a special welfare payment of \$50 for low-income householders and pensioners. It is having a devastating social impact on low-income disadvantaged people in South Australia. It is having a devastating impact on business costs and household expenditure in South Australia. For whatever might be the merits or otherwise of political parties, it was once said that the Labor Party stood for the underprivileged and the little person in Australia. Where is the Labor Party in Western Australia when its colleagues in South Australia are now confronting the reality of a \$50 rise for every consumer in that State following a massive 25 per cent rise? The Rann Government is at least recognising the social consequences. This Government is so beholden to sectional big interests in the business sector that it is absolutely neglecting its responsibility to the ordinary people of this State. The Liberal Party will not neglect its responsibility to all people in this State. Although the Liberal Party might be seen as the natural ally of the Chamber of Commerce and Industry of Western Australia and other groups, it will not forgo its responsibility in the area of essential services. The Government may have done a deal with business pre the election, and it may feel that it is more important to honour its "deal" with business than to look after the essential services for the people of this State, but not one member opposite has argued the case for disadvantaged people in this community - not one! Not one member has raised the plight of pensioners, the unemployed or people with disabilities, because they are the people who have no choice about energy. Do government members think those people will exercise choice and go to an alternative electricity supplier? I do not think so. They are totally dependent on what remains a government-owned and operated utility for supplying an essential service to the people of this State. Putting to one side, as the Government did - but I will not - the interests of low-income people in this community, what about the people living in regional and remote Western Australia? Do government members really think that a cross-subsidy of \$150 million a year will survive in a totally deregulated market in regional Western Australia? Do government members really think that a cross-subsidy of \$50 million to \$60 million in remote areas will survive in a deregulated market? Do government members really think that the price discrimination between householders and businesses will survive in a deregulated market? Western Australian householders pay a little over 12c a unit for electricity, and businesses that are on a scheduled tariff pay a little over 16c a unit. Do government members think that a 4c, or 25 per cent, concession to householders will survive in a deregulated market? It might survive initially, but it will not survive the test of time. As Western Power becomes prone to increased competition, as its generation and retail sections become non-viable or come under risk, it will not be able to commercially sustain the cross-subsidy to householders and regional and remote customers.

Who will bear the costs? It will be the same people as those in the article to which I earlier referred. It will be people in similar low-income circumstances to those in South Australia who are being hit with an extra \$50 a year on top of the 25 per cent. Where is the Australian Labor Party? I have listened to two days of debate on this issue and I have not heard a single member of the Labor Party talk about the needs of low-income people in this State - not one. Government members quoted the Chamber of Commerce and Industry with great gusto because they thought it would embarrass me. They also liked quoting what investors of American utilities have said. However, they did not quote pensioners from Maylands, people with disabilities, people requiring electrical currents for medical equipment or those in regional Western Australia who do not have a reliable power supply. Where do such people figure with the Labor Party? They do not. All we have heard from members opposite is the position of the Chamber of Commerce and Industry, the Chamber of Minerals and Energy and chief executives of American utilities. Has the Labor Party not done a full turn? Not one

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government member stood up for underprivileged people in our community, whether they be underprivileged as a result of disability, age, loss of regular employment or location - not one. How will a single mother cope with a price rise in electricity? Labor Party members have no interest in such people.

The other incredible thing about this debate from the Labor Party's point of view is that not one member opposite talked about Western Power workers.

Mr A.J. Dean interjected.

Mr C.J. BARNETT: I delivered it, my friend. I will come back to that. Please keep that headline, because I will use it later in the debate.

Not one member opposite stood up for the workers. I do not pretend to be a champion of the workers, but I was a fair minister in my day. I could communicate with workers, settle industrial disputes and come to some sort of accommodation. I do not feel any embarrassment when I go to Collie - none at all. Not one government member raised the issue of job security. I did not hear that term mentioned. Not one member of the Labor Party talked about career options for those in Western Power. Not one member of the Labor Party posed the question: what will happen to redundant coal mining and power generation workers in Collie? Certainly the member for Collie, the so-called football coach hero, did not raise a word on behalf of his constituency. Not one member of this union-based Labor Party took into account the interests of coal or electricity workers - not one. Not one Labor Party member gave any consideration to the organisations and people they purport to represent. In particular, the member for Collie was significant by his absence and lack of contribution to the debate. He is a failed member of Parliament and a failed representative of the people of Collie.

I well remember going to a meeting at the football oval in Collie in the early 1990s when the now Premier was the Minister for Fuel and Energy. At that meeting, the now Premier talked about getting into decision zones and building a Collie power station. What an incompetent mess the Labor Government left behind! The project was up to some \$2.2 billion after eight years of promises by Labor, but nothing was delivered - yet the now Premier described himself as being in a decision zone! That said it all. He could not deliver. Labor could not deliver. However, it was a Liberal-National Party Government that built the Collie power station, and it built it not only for a 300-megawatt unit but also so that a second, and potentially a third, 300-megawatt unit could be added. The Collie power station stands today as the efficient producer on the system.

Mr E.S. Ripper: Not if you count the capital cost.

Mr C.J. BARNETT: Okay, the minister can chirp on, but he should look at the record. Under a Liberal-National Party Government, power stations were built, gas pipelines were built, gas was deregulated, and over half of the sales of electricity were deregulated. More needs to be done in energy reform. There is no doubt about that. However, I want to make a social comment to start with, because I would have thought that in this debate, instead of wondering about which Liberal will vote which way, what the Chamber of Commerce and Industry has said, or what an American utility has said about its rate of return on investment, one member of the Labor Party would have talked about the plight of the disadvantaged. I would have thought that one member of the Labor Party would have talked about the situation that is facing workers, particularly in Western Power and the coal industry. Not one member of the Labor Party was true to his or her constituency. Labor Party members are more beholden to the people on St Georges Terrace than they are to the workers and the underprivileged. That is the reality. They may think it is good fun to have a go at the Liberal Party and at me, and they can do that. However, I will not neglect our responsibility to provide essential services to the people of this State.

I have a copy of the cabinet document. It is amazing that when Labor is in power, cabinet documents come to the Opposition. The cabinet document states that the benefits of reform include an average 8.5 per cent reduction in electricity prices. What is an average? There is an old joke that if we put one foot in a bucket of ice and the other in a fire, we can say that on average we are warm. What is an average reduction of 8.5 per cent? I predict that if that is achieved, businesses, particularly large businesses, will get an even greater price reduction, perhaps 20 or 30 per cent. However, householders will get a price increase. An average disguises the way in which the price may move. An average is a summary statistic. It does not reflect the reality of what will happen in the marketplace, nor does it reflect the reality of what will happen to energy consumers. However, putting that to one side, it is to be an 8.5 per cent price reduction by 2010. That is seven years away. That means we are talking about an average price reduction of about one per cent a year. That is an absolutely pathetic outcome. During the period 1993 to 2001 - the term of the previous Government - without the destruction of Western Power but with significant energy reform in both gas and electricity, the real price decline over eight years for businesses was 20 per cent and for householders was in the order of 15 or 16 per cent. The former Government achieved a price decline of 20 per cent over eight years. The minister is talking about a price decline of eight per cent over seven or eight years. The minister is accepting a level of price decline half of what was achieved over

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the preceding eight years. That is the minister's objective. What a pathetic, low-horizon objective! The reason it is such a pathetic outcome is that it does not address the fundamental issues. All we hear from the minister is how the forces of competition will put downward pressure on prices. Yes, they will. Competition does put downward pressure on prices.

Mr E.S. Ripper: Good. I am glad you recognise that.

Mr C.J. BARNETT: They do. However, a major impediment to lower prices is fundamental inefficiencies within the system. There may be a bit of downward pressure on prices, but if the other issues are not addressed - for example, the price of fuel - it will be of little or no consequence. One hopes that the price of gas has been negotiated down because of deregulation. Western Power will not now finalise the contract because the company directors cannot. They do not know the viability of the organisation, given the Government's proposals. Therefore, the potential reduction in gas prices is not being realised. Even if it were, its effects would still be a couple of years away in 2006.

As the member for Darling Range pointed out earlier, Western Power last year came forward with a proposal for a 10 per cent price reduction. This Government refused it. Why did it refuse a 10 per cent one-off price reduction? I would have thought that the minister would have jumped at it. I would have. I had to fight for every price concession. Why did the Government refuse it? It did not suit its politics to accept the reality that because of fundamental reforms, prices could not only be frozen but also fall in nominal terms. The Government forwent a 10 per cent price reduction that was on the table. It made a narrow, political decision to deny small business in particular a 10 per cent reduction in price.

Mr J.H.D. Day: There are 65 000 small businesses.

Mr C.J. BARNETT: Exactly. The Government wanted to play politics with it. It suggested that the only way that prices could fall was if it disaggregated Western Power into four component parts. That was dishonest, and the minister knows it. He knows that Western Power had on the table a 10 per cent price reduction. He and his Labor Party colleagues made the dishonest political decision to not allow that price reduction to flow on to business. It was an appalling, political, irresponsible act on the part of the Minister for Energy. It is little wonder that I take very little notice of what he says. There would have been a 10 per cent nominal reduction - in other words, a 13 or 14 per cent real cut - and the minister declined it because it did not suit his politics. That is how shallow this Government is on the issue.

The package contained three Bills. The first was the Electricity Industry Bill for creating the so-called market. The Government's model for the market is excessively complex and over-designed for a grid of 4 000 megawatts covering the southern part of Western Australia. Despite that, the Opposition has supported it. We agree on the need to develop a market. We hope that there can be a move from bilateral to multilateral contracts. As I asked in the earlier debate - I will not go through it again - who are the suppliers? The reality is that Western Power has an 80 per cent market share. One-third of its power generation capability is more than 30 years old. Some of its power stations, particularly the one at Muja, are operating on high-cost coal. The price of coal ranges from \$40 to \$65 a tonne whereas it is between \$15 and \$20 a tonne on the east coast. Those are the realities. The downward pressure on prices will do precious little about those realities unless the Government tackles the issue. Previous Governments have tackled the issue but this Government has done nothing to address it. If it thinks that downward pressure on prices will deal with it, it may well be wrong.

I would like to see a more competitive industry develop. Everything I did as a minister was designed to develop a more competitive industry. It needs to be done in an orderly way. I do not want the Muja power station to be closed or 1 000 workers in Collie to be put out of work, but that is a real prospect. That is the reality that this Government is putting into place. If that were to happen, it would also have a profound effect on Bunbury. If Western Power is disaggregated into four entirely separate entities, what will the Government have done to the downward pressure on prices and market balance? There is one large supplier of gas - the North West Shelf gas project. Yes, there is Apache Energy Ltd and a couple of other smaller suppliers, but the Government missed the opportunity to bring the Gorgon gas project onshore and have a second major supplier of gas. How dumb was that? If we are talking about placing downward pressure on prices, how absolutely stupid it was not to bring a second major gas player onto the mainland! If the State Government set out to develop a regime to allow the Gorgon project to go ahead and at the same time to absolutely minimise the benefits for Western Australia, it has achieved that. It has given the proponents certainty and has guaranteed absolutely minimal benefits for Western Australia. The Government missed that opportunity to place downward pressure on prices. That was a real issue. Bringing the Gorgon gas project onshore would have provided some competition to the gas supply from the North West Shelf. That would have been real economic pressure and real market force, yet I suggest that this Government did not even think of that scenario. It did not think of that consequence. The weak component in

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the agreement Act is that it refers to being commercially viable. Give me a break! That is absolutely naive. Whoever negotiated that should be found another job somewhere else. The Government failed with that.

There is monopoly market power in the supply of fuel. In gas, the North West Shelf has a dominant position. In coal, the two coal producers have a dominant position. When there is a monopoly, how can downward pressure on prices be addressed? How can monopolies be addressed? It is a fair question. Monopolies may be broken up. Could the North West Shelf be broken up? I do not think so. Could the Government further break up the coal suppliers? I do not think so, given the economics of coal mining. How can monopolies be addressed? If the Government cannot break up the monopoly suppliers of fuel or get more competition through the Gorgon project, which the Government fumbled, how can it do it? There is no answer, because the Government has not thought about it. There must be a countervailing monopoly force. That is a monopsony. That provides some buying power. If a monopoly force cannot be broken up or regulated through antitrust laws, the only way is to counter it with an equal and opposite opponent. Although it is not an ideal market structure by any means, if Western Power were strong, it would be in a strong position to negotiate and force down fuel prices. If Western Power were weakened, it would weaken the ability of the State and Western Power to force down both gas and fuel prices. What the Government is doing may well prove to be counterproductive in lowering fuel prices.

The major reason for higher energy prices in Western Australia is the price of gas and, in particular, the price of coal. The Government's policies are counterproductive. It did not think through the Gorgon project or the importance of having a strong bargaining position in purchasing both coal and gas. That displays the naivety of this minister and this Government. The other aspect of the market that I would like to question is: where are the buyers? The only principal and large buyers of electricity on the south west grid have their own means of power generation. I have made that point before. Alcoa, Iluka and the mining companies in the goldfields operate on gas, not diesel, because the previous Government had the vision to build the goldfields gas pipeline and to see 1 000 megawatts of new gas power generation go into the Pilbara and goldfields. That is what real energy reform is about.

I will make another observation about Western Power. This State has immature infrastructure. It has ageing infrastructure, such as in the supply of water. Water pipes out in the wheatbelt often burst. They burst on a regular basis around Wongan Hills when the pressure is increased. As some National Party members have pointed out, power poles are falling over at a fairly regular rate. It is a matter not of maintenance but of replacement. The power supply network was built 50 years ago for a different era to essentially bring electric light to farmhouses and country towns. It cannot support grape processing, olive processing, butter manufacturers, cheese manufacturers and meat industries. It was never designed for that. This is not about maintenance; the system needs to be rebuilt, at a higher level of voltage, delivery and quality. In an electronic age, people should be able to use computers and associated equipment in their businesses and homes, enjoying the communication and information advantages that go with them. That requires a far better power system. Our electricity system is limited in its design; it is of a different era. It is old and needs major upgrading and advancing. Western Power has the technical knowledge, the cash flow, the financial resources and the market share to be able to undertake that upgrade. That is important for the development of this State. If there were world-class, mature energy infrastructure throughout this State, this argument would, to some extent, be academic, but the point is that there is not. I would probably not take the position I take now in 10 years if that infrastructure were in place, but it is not. Who will do it if Western Power is not there to do it; if Western Power is teetering on the edge of insolvency? That will be a reality. It is certainly a high risk.

Mr E.S. Ripper: Do you think the network will be teetering on the brink of insolvency?

Mr C.J. BARNETT: I know the Minister for Energy will say that the network will be able to charge a tax on transport, and will thus be able to do the upgrade, and that is possible. I doubt that that will happen, but we will see.

The further issue is that a whole range of infrastructure in this State is immature. There are two organisations in Western Australia - both of which happen to be government-owned - with the capacity to develop this State. One is Western Power and the other is the Water Corporation. I know the Chamber of Commerce and Industry of Western Australia hates it when I say that, insisting that development should be left to the market. The market has had a fair opportunity on the Burrup Peninsula for three or four years, but development has not happened. The market has had a fair opportunity in the Kimberley, and it has not happened. The market has also had a fair opportunity in the goldfields, and development has succeeded there because I, as a minister, gave market protection to the goldfields gas pipeline and brought on that infrastructure and power station investment. The market did not do it by itself. No-one should believe that the goldfields gas pipeline was market driven in a utopian world, as the Chamber of Commerce might hope. Such a world does not exist in this State's energy industry, and will not exist for some time. Western Power and the Water Corporation are important in

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developing this State, by providing services to industrial estates and fostering economic and industrial expansion. That will not happen under the Government's model. It should be borne in mind that, over its 50-year history, Western Power and its predecessor, the State Energy Commission of Western Australia, built not only power stations - and, yes, many of them are old today - but also powerlines. It underpinned the development of the North West Shelf by supporting the building of the Dampier to Bunbury natural gas pipeline with take-or-pay gas contracts. They were very controversial and very expensive - I can see all of that - but they underpinned the development of Western Australia. Who will underpin the development of Western Australia under the Government's model? It will not be the Chamber of Commerce, and it will not be Western Power, which will not have the engineering, manpower and financial resources to do it.

The Government is setting up a perfect competition model in a situation in which the ingredients for perfect competition do not exist. Perfect competition involves a large number of buyers and sellers, and a homogeneous product or service. The Government does not have that. The quality of power supply in Perth is vastly different from that in Naremburn, Roebourne or Broome. It is not a single market. It does not have the ingredients of the Government's competitive model. It is a highly monopolised, oligopolised industry. The Government should be doing real reform and moving the industry into a more contestable and ultimately competitive market, over a period. That cannot be done by passing a few bits of legislation through this Parliament without creating the scenario of power bills rising by \$50. Does anyone in this House or this community seriously think that Western Power can be broken up into four units to save money? Is the Government implying that there is a diseconomy of size in Western Power? That is the implication of the break-up. By Australian and world standards, Western Power is a very small utility. It struggles today to get the economies of scale that an entity such as Pacific Power in New South Wales gets, or indeed the authorities in Victoria get. We are talking about an entity about a third of the size of the entity in Melbourne. We are talking about 600 000 customers. Any economist in the energy industry will say that to have the perfect competition model, there must be a market of at least two million customers before it is even contemplated. We are talking about 600 000 customers in the south west corner of Western Australia with non-interconnected grids. There is no security, no insurance and no backup. That is the reality.

This Bill proposes to break up Western Power into four entities. It will put generation by itself. How will that fare? I do not expect the member for Collie to answer, but how does he think Muja power station will survive in this environment, with its \$50 or \$60-a-tonne coal, small generating units and maintenance problems and being overstaffed by world standards? How does he think Muja will go? If the member for Collie votes for this legislation, he will probably be consigning much of Muja, if not the whole station, to redundancy. There could be a more lateral approach with Muja. We all know that we cannot talk about privatisation, because this Parliament is spooked by that. Even the Chamber of Commerce and Industry of Western Australia will not talk about that. Where is its integrity, as the champion of private enterprise? However, if we want to talk about something lateral happening in Collie, why not say to the Griffin Coals or Wesfarmers of this world, "Instead of selling \$60-a-tonne coal, why don't you start selling competitively priced electricity into the market, including to Western Power? Why don't you start tackling some of the inefficiencies at the coalmining to electricity production end?" That would be a real reform - probably a bit painful and people might not like it philosophically - as was getting rid of underground coalmining, which was achieved largely with the support of the unions in Collie. It was hard and unpopular. However, at the end of the day, safety issues for men working below ground became an issue.

Mr M.P. Murray: What a load of rubbish!

Mr C.J. BARNETT: The member can speak later. The unions objected. I understand there were about 400 job losses at the time. That was a blow to Collie from which it took some time to recover. However, many people in that community - many women, in particular - did not want underground coalmining to continue. At the end of the day it was not economic, so its time had come.

Mr M.P. Murray: You're lucky you don't live in the community.

Mr C.J. BARNETT: I know it was hard. I went to Collie repeatedly. I understood the hardship that meant for 400 families.

Mr M.P. Murray interjected.

Mr C.J. BARNETT: The member can speak later. I am saying that real reform, such as stopping underground coalmining, which was inefficient, too costly and had a lot of safety issues attached to it, is difficult. Passing legislation to break up Western Power is not real reform. The Government cannot make simple economic or legislative changes if it fails to address the reality of the industry. This legislation does none of that. It does nothing to address the age of power generation or the lack of a long-term, well-thought-through plan for future power generation.

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Mr E.S. Ripper: Would you put all that in a Bill?

Mr C.J. BARNETT: I would do it as a minister, as I did as a minister.

I want to talk about some other aspects. This Labor Government has done its deal with business. This legislation is delivering for business. The Labor Party used to deliver for low-income people and for the trade union movement, much as I might disagree with that. That is what the Labor Party was created for. This is about the Labor Party delivering for big business. I am not saying it is WA Inc, but it is the same connection that Labor had to big business in the 1980s. It is a different group of people, but it is Labor delivering for big business because it thinks there will be downward pressure on prices. What a joke! The Government will not get downward pressure on prices of any significance unless it introduces real reform, such as I introduced with the expansion of pipelines and power stations, disaggregation of contracts and a phasing out of underground coalmining. A lot more must be done. This Bill may apply downward pressure, but it will not result in discrete, large price falls. The Government will not achieve that through legislation. This Government has set about doing a lot of studies. The way this minister and this Government have approached this issue has been dishonest from the start. It failed to give a 10 per cent price cut and it forced out David Eiszele, who was a committed public servant of this State for 32 years. The minister tried to pretend that David Eiszele was not forced out, but he was. I have a copy of a letter the minister wrote, which essentially confirms Mr Eiszele's sacking. Does the minister want me to read it?

Mr E.S. Ripper: Yes.

Mr C.J. BARNETT: It is addressed to Mr Macpherson, the Chairman of Western Power, and states -

I refer to your letter of 16 December 2002 regarding the Board's decision to ask Mr Eiszele to step down as Managing Director before the expiration of his employment contract in June 2003.

Given that negotiations have not satisfactorily resolved the issue, I reluctantly concur with your decision to issue a letter of termination to Mr Eiszele.

What a hero. The minister gave a letter of termination to a man who had served this State with distinction for 32 years. This Government and this minister issued a letter of termination to David Eiszele. What did David Eiszele do wrong? What was his crime? He questioned the policy of this minister and of the Labor Party, and for that his employment was terminated. The minister tried to create an impression that David Eiszele stepped aside because he did not quite fit in with the way Western Power was going. The minister said that Mr Eiszele was going his own way and that Western Power was headed down another path. It was only afterwards that we found out, through this letter, that the minister had terminated Mr Eiszele's contract for no reason other than Mr Eiszele did not agree with the minister. David Eiszele disagreed with me on many things but I never questioned his tenure as the chief executive of Western Power. I had some great arguments with him and I had some heated arguments with the board; however, I never suggested to board members that they would be removed if they did not agree with me. This minister changed the board. He took away from the board those members who had a contrary point of view. The minister removed the independent-thinking members of the board and he removed the chief executive.

Mr E.S. Ripper: Now you are insulting the board.

Mr C.J. BARNETT: No, I am saying that the minister removed from the board those people who had a contrary point of view, and that he terminated the chief executive's contract.

Mr J.H.D. Day: The reality is that many, if not all, of the current board members are not at all happy with what the Government is doing.

Mr C.J. BARNETT: Indeed they are not.

Ms S.E. Walker interjected.

Mr E.S. Ripper: The Leader of the Opposition says we are in league with big business and the member for Nedlands says that they do not like what we are doing.

Mr C.J. BARNETT: The board members do not. Indeed, the board had written to the minister -

Mr E.S. Ripper: Don't you think it was reasonable for there to be some turnover on the board? Even those board members who have left the board would have that view.

Mr C.J. BARNETT: But the Government's turnover was designed to give it a compliant board.

Mr E.S. Ripper: So now the Labor Party cannot appoint board members.

Mr C.J. BARNETT: Even having done that, the board wrote to the minister on 9 October 2002, just over a year ago, and said that the board supported the concept of further reform in the state electricity industry, including

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increased competition and reduced power costs. I do not have a problem with that. The board said that these changes should be introduced in a way that manages risks and protects the value of one of the State's most important assets. On that basis, the board would endorse the proposals for the establishment of a wholesale market and an independent transmission business. I agree with that. However, Western Power's directors would not support the disaggregation of the generation and retail sections of Western Power in the short to medium term. I agree with that too. I concur with the board. Why does the minister not accept the advice of the board? Western Power's network was ring-fenced when I was the minister in 1995. I support a strengthening of ring fencing. I support the Government going the whole hog by implementing totally independent regulation or totally separating the network system. If the minister had any ability to negotiate in the Parliament - this Government distinguishes itself by its inability to negotiate legislation - he could reach an agreement with the Liberal Party at least, which would give the Government the numbers to pass legislation that would separate the networks. It would then be done in an orderly and managed way. If the minister wanted to make further changes, he could go to the next election with a policy of total disaggregation. That offer is on the table, but he is adopting a belligerent, stubborn attitude. I am saying that, in accordance with the Liberal Party policy at the last state election, it will support orderly deregulation.

Mr E.S. Ripper: The package I have before the Parliament is orderly deregulation. It will be phased in. It is systematic and professional.

Mr C.J. BARNETT: The Liberal Party said it would be orderly, which implies that it will be progressive over time.

Mr E.S. Ripper: This is progressive over time.

Mr C.J. BARNETT: The Liberal Party supports separation of the networks because in the electricity business there is only one aspect of natural monopoly. A natural monopoly is not a market monopoly; it occurs when there is room for only one entity. That occurs particularly in the wire business and the high-voltage wire system. The minister could walk out of this Parliament today and say that he did not get everything he wanted but that he has achieved the main result through negotiations with the Opposition. He could have bipartisan agreement to separate out the network system. People in industry could tell him that that is by far the main issue. He could achieve that in an orderly way and implement it without the Western Power organisation falling apart. It is losing its best people and there is confusion within the organisation and in the marketplace. He could separate out the network system without placing at risk in the short to medium term, or perhaps even the long term. He would not create the scenario that exists in Adelaide today of \$50 price rises on top of a 25 per cent price hike for electricity on 1 January. Perhaps he will indicate when he speaks later why he will not accept that offer. I have come some way with my position. The coalition Government ring-fenced the network's business unit and for more than six months I have supported publicly independent regulation, if not full separation of networks. I am not stuck in my position because I am trying to protect my reputation as an energy minister. That will stand or fall on its own merits. I have moved in my position; the minister has not moved in his. Why not?

Mr E.S. Ripper: I have moved.

Mr C.J. BARNETT: Okay, he can explain later. Why not achieve the significant and logical next step in energy deregulation - the full separation of the network system? That in itself will be expensive, costly and technically difficult. However, the minister would achieve it if all parties - not only the political parties but also parties within industry, the marketplace and Western Power - worked cooperatively towards it. He could maintain his policy position of total disaggregation - it is a different concept from deregulation - if he wants to and probably achieve it before Christmas. He could have a Christmas present. He has achieved no energy reform within three years.

Mr E.S. Ripper: What about full retail contestability in gas? That is all done.

Mr C.J. BARNETT: It was announced by the previous Government.

Mr E.S. Ripper: No work had been done on it. AlintaGas came to me and said that the proposal had been sitting on the minister's desk for a year and he did nothing about it.

Mr C.J. BARNETT: This Government delayed the previous Government's timetable for full contestability. However, it is in place so it does not matter. The Government has achieved no major changes. Contestability in gas is not a reality. I get my gas from AlintaGas. Western Power has not been knocking on my door to provide gas through the pipeline. Contestability exists in theory but in reality there is no choice of gas supply for householders or small businesses unless they are connected to the main pipeline or can obtain it through lateral means. Those customers have had it for years. Here is a chance for the Government to achieve what I would readily applaud as a significant and logical next step during this term. I do not underestimate the challenges to be overcome in achieving even that, given the issues to be addressed in the workplace with employees; in setting

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up the market structure, with which the Liberal Party also agrees; and with information technology and other technical aspects. That will be enough but it will be a significant, logical step.

A lot of reports have been produced; this Government is big on reports. As we heard in question time today, more than 300 task forces, committees, summits and working groups have been established. The epitaph to this Government will be a stack up to the ceiling of the Chamber of 300 reports. Goodness knows what the Government will do with them when they all come down. It will spend the following four years in opposition reading them and thinking what might have been. This Government does not act, it simply calls for reports. By our reckoning, there have been reports on electricity reform from Deloitte Touche Tohmatsu, Frontier Economics Pty Ltd, Charles River Associates Asia Pacific Pty Ltd, PA Consulting Pty Ltd, Navigant Consulting Pty Ltd and GT Power Transmission Pty Ltd. That is at least six consultants, plus all the internal reviews and goodness knows what else that have taken place.

I will quickly flick through some of the matters that these reports have dealt with. Frontier Economics said that the one-off disaggregation costs would be \$6.6 million. Gee, the Government could have built the new Moora hospital for that. The one-off systems disaggregation costs are estimated to be \$19 million; that is, therefore, \$26 million in one-off costs.

Mr J.L. Bradshaw: It could have rebuilt Yarloop hospital.

Mr C.J. BARNETT: The Frontier report stated that the recovery of fixed costs associated with reform suggests that costs should be recovered by a lump sum tax. Hang on - is that a lump sum tax a levy on taxpayers? The report further stated that such taxes are very unpopular, and second-best approaches are often adopted. It went on to state that if cost recovery were confined to electricity market participants, the efficiency principle suggests that some form of Ramsay pricing would be appropriate; that is, higher prices to the participants with the least opportunity to evade charges. Hang on - is that higher prices for those who cannot evade the charges? Who would those poor bunnies be? They would not be the Chamber of Commerce and Industry of Western Australia and their mates down the road; they would be the constituents in the member for Murray-Wellington's electorate - farmers, small consumers and householders - who would not be able to evade the charges and would not be able to exercise choice. The report further stated that to avoid distorting consumption decisions, it is preferable that these charges are also levied on a lump-sum basis. There is a bit of a clue: it is a lump sum tax on those who cannot avoid it; that is, those who are isolated geographically and low-income earners.

What did the cabinet minute say about costs? It said that the cost to taxpayers of implementing the move is predicted to be about \$153 million and around \$26 million a year to support it. Even the cabinet minute states that for a paltry eight per cent fall over 10 years, the Government is willing to see \$153 million -

Mr E.S. Ripper: Hang on; you support that expenditure.

Mr C.J. BARNETT: Yes, but I am talking about the Government's decision making. The Government is willing to concede \$153 million of taxpayers' money to implement the move and \$26 million a year to support it.

Mr E.S. Ripper: So are you.

Mr J.H.D. Day: No, we are not.

Mr E.S. Ripper: Yes, you are. Your mob's costing was exactly the same.

Mr C.J. BARNETT: Just be quiet; I have 13 minutes left. The Government's own cabinet minute goes on to acknowledge - we finally got it out of the Government publicly - that \$500 million will be slashed from the utility's value.

Mr E.S. Ripper: It is on the web site and has been there for two years.

Mr C.J. BARNETT: A total of \$500 million will come off the value of the utility. This move will therefore cost \$153 million up front and \$26 million a year to support, with \$500 million coming off the asset value - for what? It is for a real decline of one per cent a year for eight years. That is a pathetic outcome. This Government is not addressing the real issues. That is what this Government's own Cabinet and, presumably, Treasury estimate it will cost.

What did Deloitte Touche Tohmatsu have to say? It looked at a few other issues, including reduced profitability. Its report said that cumulative earnings before interest and tax - the profitability - of Western Power will be reduced by between \$318 million and \$401 million over the next 10 years. Deloitte estimates that the reduced value to the owner of the corporation will be between \$415 million and \$500 million. Reduced payments to government matters. Schools, hospitals, aged care and disability services need to be funded; therefore, what will happen to the payments to government? Total dividends, equivalent tax payments and capital maintenance payments will reduce by \$337 million to \$410 million over the next 10 years.

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Concerns have been expressed about the state generation's longer term viability. The member for Collie should listen to this. I wonder whether he has read the Deloitte report. It stated that state generation may not earn sufficient returns to secure capital on commercial terms to sustain capacity and expand in the longer term. That part of the report comes under the heading "Concerns about State Generation's long term viability". I am concerned - and I do not live in Collie - about the people who live in Collie. There are significant concerns about the short to medium-term viability of the state retail unit. Even the retail entity is not seen as necessarily viable. That is the opinion of Deloitte.

Navigant Consulting looked just at the issue of information technology. It estimated the total IT cost to be between \$32 million and \$108 million. That is a fairly big range. Western Power will need 120 IT specialists for at least six months just to undertake the technical separation of its functions. The figure of \$108 million might be closer to the mark when it is all done.

PA Consulting believes that the estimated cost of implementing the Electricity Reform Task Force proposals is \$383 million. It states that the ongoing costs of implementing the ERTF recommendations will be \$266 million and that disaggregation will drive up overhead costs initially by an estimated \$54 million a year. I made the point to the minister before: does anyone seriously believe that an already small - by Australian and world standards - energy utility can be broken into four and have a lower total cost? It does not seem logical that would be the case because it is duplicating many functions and economy of scale would be lost. It would create a diseconomy of small size rather than an economy of scale. PA Consulting believes that disaggregation will increase overhead costs by an estimated \$54 million a year. Electricity prices will not be reduced in that scenario. The downward pressure in prices may well be overwhelmed by an upward pressure in costs. The Government has not even looked at that scenario. The Government talks about downward pressure on prices but it has not looked at the market effect of upward pressure in costs. It will either force electricity prices up or it will force significant parts of Western Power's existing structure into mothballing or closure. That will be the market reality. That is what will happen. The minister should look around Australia - South Australia in particular - and at North America. That is what happens. The PA Consulting report states -

The combined cost of implementing ERTF proposals and FRC is estimated to be in the range of \$470-590m over 10 years.

We are nearly up to \$600 million on this scam. Forget about the loss of asset value of \$500 million. Some people understand that Treasury has the view that it will be closer to \$1 billion.

Mr E.S. Ripper: What is your evidence for that?

Mr C.J. BARNETT: That is the view.

Mr E.S. Ripper: What is your evidence?

Mr C.J. BARNETT: It is the view that it is \$500 million; everyone says that is the minimum. People close to Western Power and, I understand, people in Treasury have the view that it may be close to \$1 billion.

Mr E.S. Ripper: Is that the Treasury view?

Mr C.J. BARNETT: It is close to \$1 billion.

Mr E.S. Ripper: I have checked the figures.

Mr C.J. BARNETT: It does not matter. Take the minimum figure. Asset value will fall by \$500 million.

Mr E.S. Ripper: I will not take the minimum figure; it is not a correct figure.

Mr C.J. BARNETT: Tell us what it is! Enlighten us. Give us a precise estimate of the loss of asset value of Western Power. I tell the minister that it will be somewhere between \$500 million and \$1 billion.

I return to PA Consulting. It is not talking about the loss of asset value of Western Power. I repeat that it states -

The combined cost of implementing ERTF proposals and FRC is estimated to be in the range of \$470-590m over 10 years.

The cost of implementation of this so-called package is of the order of \$470 million to \$590 million. What sort of Government says that it will cut funding for mental health by a few hundred thousand dollars and that it will not proceed with the new Moora hospital, which would have cost \$6 million? It says that it cannot find this or that. At the same time it is overseeing \$470 million to \$590 million being lost for no great purpose. What sort of a Government is that? It is a Government that is preoccupied with a policy agenda developed by the Chamber of Commerce and Industry of Western Australia and the Chamber of Minerals and Energy, which will certainly advantage a small group of their members. Where is the Labor Party that cared for people on low incomes? Where is the Labor Party that used to advocate for workers, particularly union workers?

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Three weeks ago, I travelled through the Kimberley with the member for Murdoch. I was astounded by what I saw in the region. I have been there many times. When I travelled through the Kimberley, I saw the worst conditions I have seen any Australian people living in. I saw cases of abject dysfunctional communities, I heard stories and I saw at a distance children walking around with strings around their ears and cans of petrol under their noses. I heard the story of two young adult males standing 20 metres apart throwing rocks and bricks at each other while a 10 or 12-year-old girl sat in the middle crying. To put it bluntly, they were fighting over who was to have her. That was only a few weeks ago. We have Third World health conditions in Western Australia. That is a deplorable situation. I was told by some people, in the presence of Aboriginal people, that there is no culture in those communities; it is gone. The culture in those communities is alcohol, violence and abuse. I am not talking about a handful of people. I am talking about community after community. I am talking about children in community after community who will never grow up. Even if they live to adulthood, they may have been brain damaged from the age of nine or 10. Halls Creek is a town under siege.

This is not related to energy directly, but what sort of Government in Western Australia, in a prosperous First World nation, can contemplate spending \$470 million to \$590 million on an electricity industry that is not broken? Yes, it can improve, and it is worth doing things to improve it. However, it is spending \$470 million to \$590 million on something that is not broken, when literally thousands of Australians in the Kimberley have the most deplorable living conditions and circumstances, particularly in health, but also in education. I know the Kimberley is not the only area in which this occurs. Where is the compassionate Government that will address the problem? Where is the Government's priority to deal with those issues, or is it beholden to St Georges Terrace and to an eight per cent fall in electricity prices over 10 years - half the rate of electricity price decline over the previous eight years? It does not deal with the person on a low income who has no choice in electricity and who may well face the \$50 price rise faced by those in Adelaide. It does not show any compassion for people on low incomes living in remote and regional areas. It does not show any compassion for the need for a reliable power supply for small businesses and families and for education services in regional areas, which are dependent on a reliable power supply. It is just not there. It does not even do its job as a representative of the union movement. In this debate government members have not said a word about or given a thought to employees in the existing energy industry. Change will happen in energy; it is inevitable. Separating networks is probably "doable" with minimal risk - there will still be risk, but manageable risk - to towns and to people and families on low incomes in this State. This Labor Government is more interested in an eight per cent fall in electricity prices for some - not all - over a 10-year period. The same Government has cut funding to mental health services, cannot honour a commitment to build a new hospital in Moora - which it announced five times - and is incapable of addressing the deplorable conditions that people in the Kimberley in particular find themselves in. What is it all about? It is about keeping a promise to a group of people in the Chamber of Commerce. That is where the Labor Party is today. Yes, it can pass its Bills and it will put some downward pressure on prices for big business, but it will put enormous upward pressure on costs, which will hurt ordinary people in this State and probably marginalise and strand existing old expensive power generation, particularly in Collie.

The minister should be big enough and gracious enough to accept my offer of bipartisan support to separate the networks. If he did, we could get on with it. It will take the Government six months to separate the networks. If, after that, the Government wants to go to the next election with a policy of further disaggregation, it should do so. The minister will have my support and assistance in separating the networks. That is the important reform, and its time is now.

MR J.H.D. DAY (Darling Range) [5.35 pm]: I can say only that that was an outstanding speech by somebody who clearly knows what he is talking about. For the record, the Minister for Energy did not look at all comfortable during that speech, and I can well understand why.

Mr E.S. Ripper: What a load of rubbish.

Mr J.H.D. DAY: The minister is smiling a bit more now that the Leader of the Opposition has finished. I can assure the minister that he did not look at all comfortable during that speech. I trust that we will hear from the member for Collie -

Mr E.S. Ripper: The speech contained so many untruths, misrepresentations and fallacious arguments that of course I was uncomfortable. I had to listen to that, and I did not have a chance to respond.

Mr J.H.D. DAY: The minister will have every chance to respond. He will be given 45 minutes in which to respond. I will be very interested to hear the rebuttals to the Leader of the Opposition's arguments, if indeed there are any.

Mr E.S. Ripper: Most of them were rebutted in the earlier debate. Obviously no-one on that side listened.

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Mr J.H.D. DAY: We are considering three Bills relating to the electricity industry. We support the first Bill, the Electricity Industry Bill, because it will provide a framework to establish a market for electricity in Western Australia or, at the very least, a framework to further develop the market that to some extent already exists. Although there is a lot more discussion to be had about the detail of that market, such as the rules that may be put in place and a range of other issues, we support the general framework contained within the industry Bill. We oppose the other two Bills, the Electricity Corporations Bill and the Electricity Legislation (Amendments and Transitional Provisions) Bill, because we oppose the split-up of Western Power. We particularly oppose the way in which the Government seeks to split Western Power. As the Leader of the Opposition made clear in his speech, and I made clear in my second reading speech on the Electricity Industry Bill, the Liberal Party supports further reform of the energy industry. Indeed, some substantial reform has occurred over the past 10 to 12 years, such as complete deregulation of the gas market, privatisation of the gas industry and substantial reform and deregulation of the electricity industry. However, it needs to be recognised that the electricity industry is quite different from the gas industry. It is far more fragile and precarious and, unless it is managed very carefully, disasters could occur. Any reforms in the electricity industry need to be handled very carefully to prevent disasters. There are many examples of that around the world. Disasters have occurred, particularly in California, and I will come back to that situation in a moment. In recent times, major blackouts have occurred on the east coast of the United States and in London, and the electricity market in the eastern States of Australia has been greatly unstable.

There are three major issues relating to the production and distribution of electricity. The first is the cost of electricity supplies, which this Government says it is addressing by putting downward pressure on electricity prices. The Leader of the Opposition has gone through in quite some detail about why price reductions in the cost of electricity are unlikely. I will make some further comment about that later. The second major issue is the reliability of electricity supplies, which is really the major issue for most Western Australians. They want to make sure that they can turn on their lights and get hot water and heating in their homes and that equipment in their businesses can operate when it is needed. Particularly in country areas, reliability of electricity supplies is the issue of primary importance. Obviously, people do not want to pay more for electricity; however, their main concern is to ensure that they can get a reliable electricity supply when they need it. When I was in dental practice in Glen Forrest, which is in the outer metropolitan area, the power would go off quite regularly. It was a major inconvenience. It is still occurring, particularly in the hills. Reliability of electricity supply is not only a problem in country areas, as this is a major problem in my electorate, and other parts of the broader Darling Range area into the hills area of Perth.

The Acting Speaker (Ms K. Hodson-Thomas) might make some adverse comments about the member for Albany walking between the Chair and the member speaking, but I will be gentle!

The provision of an adequate electricity supply is an issue for not only rural and remote areas of Western Australia, as it is an issue in my electorate with branches falling on powerlines and powerlines being overloaded -

Mr E.S. Ripper: You certainly have problems with branches in your electorate.

Mr J.H.D. DAY: There is no doubt about that, as the minister can read, whether it is branch stacking or branch pruning in some cases.

Ms S.E. Walker: Minister, you're having problems with your president and leader at the national level, aren't you?

Mr J.H.D. DAY: Is the interjection from the member for Nedlands pertinent?

Mr E.S. Ripper: You have the floor.

Mr J.H.D. DAY: The Minister For Energy, who is the deputy leader of the State Parliamentary Labor Party, does not want to comment on the federal President of the Labor Party.

Ms S.E. Walker: Or the federal leader and his popularity.

Mr J.H.D. DAY: Indeed. I think the silence speaks volumes. However, we are getting off the issue a little.

The third major issue relating to the provision of electricity about which members of the community are concerned is production with the lowest possibly environmental impact. Understandably, the community has an increased interest in ensuring that electricity can be produced from renewable supplies as much as possible. The problem is that renewable sources are not cost competitive in some cases, and are not as reliable as conventional fossil or other fuel sources, such as nuclear energy. Nevertheless, nuclear energy is not a source of electricity production in Australia, and nor is it likely to be. Western Australia has large supplies of coal and gas that will provide the base load of electricity supplies for some time to come.

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Returning to electricity supply costs, Western Australia is not the lowest or highest cost producer in Australia. It is absolutely true that electricity costs have come down in real terms to a substantial extent over the past 12 years or so. No increases have occurred in the price of electricity for small and medium-sized businesses for 11 years, which equates, taking into account inflation, to a real reduction of around 25 per cent, or maybe up to 30 per cent now. Residential consumers experienced one increase of three and a half per cent in 1997, which equates to a real reduction of about 20 per cent.

In my speech on the second reading debate on the Electricity Industry Bill I mentioned some detail concerning interstate comparisons. Why are Western Australian electricity prices higher than those of some other States? The major issue, as the Leader of the Opposition outlined, is that this State has higher fuel costs than those found elsewhere in Australia. At a briefing we received, comment was made by a representative of a fuel company that Western Power would still have a higher cost of electricity production if it were given coal for free. That is simply not the case; I do not accept the argument at all. The reality is that the cost of coal in Western Australia is higher than coal prices in other States, and for good reason to some extent. The coal price flows to electricity prices. If Western Australia is to have a further decrease in the cost of electricity in this State, Western Power and other potential electricity generators must pay reduced coal prices through reduced coal production costs.

Also, this State has large distances to cover, which increases the cost of providing electricity, particularly to rural and remote areas. From memory, something like a \$50 million cross-subsidy is required to provide electricity supplies to rural and remote areas that are not part of the south west interconnected system. In addition, electricity supplies to rural and remote parts of the State that are part of the south west interconnected system are cross-subsidised by about \$150 million. At the moment, the cross-subsidisation amounts to about \$200 million a year to provide electricity to non-economic areas of the State. By that I mean that there is a net cost to provide electricity to those areas, and that cost must be funded somehow or other. If the money is not to come from other electricity users, it has to come from taxpayers.

As I have mentioned previously, including in a question I asked of the minister, and as the Leader of the Opposition has mentioned, Western Power has made a clear proposal to decrease the cost of electricity to 65 000 small to medium-sized businesses in Western Australia. That proposal was given wide publicity, particularly in the print media. It was put forward in August 2002, it was to take effect from 1 July 2003 and it was to be phased in over three years. It was to be a 10 per cent reduction in actual terms in the cost of electricity for 65 000 small to medium-sized businesses. However, it has not occurred because the Minister for Energy and the Gallop Labor Government blocked that proposal. Those 65 000 small to medium-sized businesses will soon realise that they could have been paying lower prices for electricity now if the proposal had not been blocked by the Labor Government. The Minister for Energy has never refuted that. It is an absolute scandal. It happened because the proposal was not politically convenient for the Labor Government. It had this grand plan of breaking up Western Power and destroying this wonderful state-owned and taxpayer-owned organisation in Western Australia because it had made commitments to a number of people that that was what it would do. If Western Power had lowered the price of electricity for businesses in this State, that would not have suited this Government's purposes. I reiterate: those 65 000 small to medium-sized businesses could have had cheaper electricity from 1 July this year if the proposal had not been blocked by the Gallop Labor Government. It is an absolute scandal.

I come back to the cost of the coal. I do not know all the history, but I do know that major changes were made to the Collie coal contracts put in place in the early 1980s after the previous contracts were either renegotiated or broken and new contracts put in place. I understand that in 1985 the issue ended up in the Privy Council. It was one of the last Australian cases to be heard by the Privy Council prior to changes to the Australian Constitution that meant that the High Court of Australia was the highest body to hear appeals involving legal cases in Australia. Up until then, the Privy Council could hear appeals. After it had dealt with this case, the then Minister for Minerals and Energy, David Parker, effectively reinstated the previous Collie coal contracts. I was not in Parliament at the time, but it was probably something that, at the very least, needed some full explanation. Perhaps the Minister for Energy, who I think was in Parliament when the then Labor member for Fremantle, David Parker, was in Parliament, might be able to explain why those contracts were effectively reinstated.

Mr E.S. Ripper: I do not think I was in Parliament at that time. I was elected in 1998 and that decision may have occurred well before then.

Mr J.H.D. DAY: I think the Minister for Energy was elected in 1988.

Mr E.S. Ripper: Yes, 1988.

Mr P.D. Omodei: You said 1998.

Mr E.S. Ripper: I meant 1988.

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Mr J.H.D. DAY: The time might have gone quickly, but not that quickly. Nevertheless, the current Minister for Energy would have been closer to David Parker than I, and he must have some knowledge of why the action was taken by the previous Burke Labor Government, because he was there for at least part of that time from 1988. He could give us a good explanation for why those Collie coal contracts were reinstated by David Parker. A lot of questions still need to be answered.

In Western Australia, the cost of coal is a major issue in relation to the cost of electricity. Collie coal is not as efficient in producing electricity as coal in other States of Australia. It has a relatively low co-efficient of heating and it also ignites relatively easily, which makes it more difficult to store and use. As the Leader of the Opposition said, in Western Australia the cost of coal is between \$40 and \$65 a tonne, compared with \$15 to \$20 a tonne in the eastern States of Australia. Western Power has made some major improvements in productivity over the past 12 years, but those improvements have occurred in a substantial but nevertheless incremental way, and that incremental change should continue.

Mr J.L. Bradshaw: It is hard to compare the cost of coal in Western Australia with that in the eastern States, because there is more power in the eastern States coal than in the local coal. It cannot be compared dollar for dollar.

Mr J.H.D. DAY: All of those issues need to be taken into account, but I made the point that the co-efficient of heating of Collie coal tends to be less than that in the eastern States. It is something of a double jeopardy situation: not only is the cost per tonne higher in Western Australia but also it is less efficient in producing electricity. That all translates to a higher cost of production of electricity in Western Australia, whichever company is doing it, if Collie coal is being used. I hope the member for Collie will be making a contribution to this debate.

Mr M.P. Murray interjected.

Mr J.H.D. DAY: That is good to hear, because it is a major issue for his electorate. I sincerely appreciate the fact that the member for Collie will be making a contribution during this debate. I seek an extension of time.

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

Mr J.H.D. DAY: It should also be recognised that the industrial relations changes that were put in place by the previous coalition Government enabled major changes to occur throughout the State, but particularly in relation to the electricity industry. Redundancies were offered and were willingly taken up by many former employees of Western Power, which meant that Western Power has put in place major changes, which have increased its productivity particularly during the time of the previous coalition Government, which has reduced electricity prices in real terms. New technologies will make a big difference to the cost of production of electricity in this State. For example, the new co-generation plant opened by the Premier last Sunday week at Cockburn, but which was given the go ahead by the previous coalition Government, does have a much lower cost of electricity production than does the 330 megawatt power station at Collie. I can recall some figures, but I do not think it would be appropriate to provide them because of some commercial confidentiality. I do not want to jeopardise Western Power's position, but I know that the cost of the production of electricity at Cockburn using gas and the co-generation method is a lot lower. Co-generation means that the 240 megawatt power station produces 160 megawatts directly from the gas turbine and an additional 80 megawatts as a result of re-using the heat from the gas and then producing steam. In a sense, 80 megawatts is being produced at little cost over and above what could have been achieved without the use of that modern technology.

It also needs to be recognised that Western Australia is unlike most of the other States of Australia, particularly the high population density States of Victoria and New South Wales, because they have a much more level demand for electricity than is the case in Western Australia. Western Australia also has a range of other differences, such as the summer extremes when people want to use their airconditioners. That means that the cost of electricity on an average basis will be higher in Western Australia than it is in Victoria and New South Wales. Western Australia also has more of a peak-load situation in which we need to make available more backup power that is not able to be used all of the time; therefore, the average cost of electricity production is higher. Another important point is that because of the large distances that need to be covered in the rural parts of Western Australia, which have low populations, the load loss of electricity is relatively high, I understand at about nine per cent, and that also increases the average cost of production of electricity in Western Australia. Therefore, when the Government is making comparisons with the other States of Australia, it needs to take into account also that we are not comparing apples with apples, because all of those quite complex issues need to be considered.

Western Power and its management, its boards and its previous managing director over the past 12 years need to be congratulated for the major changes that they have put in place to increase the productivity of Western Power

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and reduce to a substantial extent the real price of electricity to businesses and residential consumers in this State. That aspect should not be overlooked. The Leader of the Opposition made the point that the Labor Government is not in any sense speaking up for the interests of the employees of Western Power. That is the case. We need to recognise also the contribution that has been made by both the current and past employees of Western Power over the past 12 years in reducing the real cost of electricity in this State.

It needs to be recognised also that while, on the one hand, this Government wants to break up Western Power into four new organisations, on the other hand, reaggregation is occurring in a number of other markets. There is pressure for that to occur on the east coast of Australia. Reaggregation has occurred in the United Kingdom and New Zealand, and also in some states of the United States of America. In California, for example, where disaggregation and deregulation has occurred, there were major crises three or four years ago when sufficient electricity was not available to meet the demand in that market. The reason was that because there was insufficient incentive to provide new generation capacity, retailers who were disaggregated from the generators were unable to meet the demand. In other words, there was a mismatch between the needs of retailers and generators in California. Potentially the same situation will arise in Western Australia if we do not handle further changes in a very careful manner.

I mentioned during the second reading debate on the Electricity Industry Bill that I attended a conference in Sydney recently, at which Richard Powis, the Chief Executive Officer of Integral Energy, a very large electricity utility in New South Wales, made the very strong comment that retail and generation entities should be allowed to operate together in order to manage the risk and avoid the sort of problem that occurred in California. I am not aware of any response from the Minister for Energy to those sorts of comments that are made by experienced electricity operators in other markets. The minister needs to take on board some of the comments that have been made. As I said earlier, reaggregation has been allowed to occur in England and New Zealand. The chief executive officer of Integral Energy has said it is an absolute folly not to allow the retail and generation entities to operate together. If it is a folly in New South Wales and Victoria, which have much larger markets and greater economies of scale, it is a folly for Western Australia to go down the path of separating the generation and retail operations in particular. However, that is what this Government is hell-bent on implementing. Frankly, the Government is out of its depth. Many experienced people in Western Australia, and other electricity markets, have said to the Opposition that the way the Labor Government is handling this issue is a recipe for disaster.

Sitting suspended from 6.00 to 7.00 pm

[Quorum formed.]

Mr J.H.D. DAY: Before the dinner break I was giving a whole range of reasons that the model that the Government wants to put in place for the electricity industry in Western Australia is flawed. The model is complicated; it will be expensive to establish and operate. As the Leader of the Opposition has pointed out, if the Government's model is put in place, the reality will be that state electricity generation will be saddled with high-cost fuel contracts, the money for which must come from somewhere. If the money does not come from electricity consumers in one way or another, it will have to come from taxpayers. I am interested to know from the Treasurer, who is also the Minister for Energy, how he intends to fund it. Pressures will need to be applied to renegotiate coal prices downwards in this State. We believe that the best way for that to occur is to have Western Power as a relatively large entity that is able to apply substantial pressure.

Let us examine what some other observers have had to say elsewhere, in particular Mr Geoff Horne, a businessman from South Australia who is currently visiting Western Australia. He has sent me an e-mail that strongly challenges the rationale of the model that the Government is seeking to put in place. He bases that view on his experiences as a businessman in South Australia. He first queries the assumptions that the Chamber of Commerce and Industry of Western Australia made in the advertisement it placed in *The West Australian* last week. I do not have time to go into all of it, but further on in his e-mail he asks what have been the factors and events that have led to the undesirable outcome for South Australian businesses and residents. He makes the observation that privatisation of the industry in that State has produced part of the problem. He also says there has been one further substantial factor; that is, the breaking up of a well-performing vertically integrated utility - the Electricity Trust of South Australia. He states in his e-mail -

The ETSA corporation was disaggregated in two stages - firstly split into two and then in 1998 these two were split into six individual corporations. My assessment of the impact of this structural change with its critical loss of both economies of scale & scope is that it has cost in excess of \$ 350M and changed the underlying cost of delivering electricity in S.A. by 15 - 18% - this is an ongoing cost and certainly has now been translayed into price rises across all customer categories.

At the end of his e-mail, under the heading "The bottom line?", he states -

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The break up of your power utility will most certainly result in 'upward' pressure on prices as it has done in every state where disaggregation has occurred - in the large states such as NSW & Vic because their market and resulting disaggregated businesses are so much larger . . . so the % increase has been much smaller and swamped by the big reductions that have occurred in generation/fuel prices in those states but for the small states - S.A. & TAS the increase in delivery costs has fuelled price increases.

. . .

In summary I can say that 'breaking up' your power utility is most certainly going to increase the cost of delivering electricity and any resulting increase in competition will NOT successfully counter this. So inevitably over time prices will have to rise - and that is a certainty

That is somebody who has had real life experience of this in South Australia. In the time I have available I will refer to a report produced by consultants Pacific Economics Group. The report was prepared by Dr Lawrence Kaufmann, who is a partner of that group, and another partner and two senior economists of that firm, which is based in Wisconsin in the United States of America. The report states -

On the issue of the structure of Western Power, we believe the company's vertically integrated structure should be seen as a viable option in the restructured WA industry (Option One). We believe this structure leads to the realization of scope economies that are likely to be sacrificed if the company is vertically disaggregated. We estimate that the loss of these scope economies would raise the cost of comprehensive power services by nearly 12%. Competitive pressures would have to reduce wholesale generation costs by about 18% to recoup these higher costs. Moreover, there have been a number of instances where utilities have been allowed to retain their generation after competition is introduced. Examples include Ireland, New Brunswick, and in several US states.

For all those reasons and many more the Opposition opposes this Bill. We believe we are acting very responsibly and in the interests of Western Australians and the Western Australian economy in doing so.

MR M.J. BIRNEY (Kalgoorlie) [7.07 pm]: Today I find myself in an interesting and somewhat disturbing position, indeed it is a somewhat difficult position, in that my view of this Bill is different from that of my colleagues. However, the view that I hold is consistent with the views of my electorate, the views of the business community and, indeed, the views of the mining industry. I have only 30 minutes in which to express my views. It might be expeditious to request an extension of time now, Mr Acting Speaker.

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

Mr M.J. BIRNEY: There is no doubt that electricity prices in Western Australia are too expensive in comparative terms. For example, in Victoria electricity prices are 62 per cent of the prices currently enjoyed in Western Australia. In New South Wales electricity prices are 63 per cent of those currently experienced in Western Australia, in Queensland they are 72 per cent and in Tasmania 76 per cent. The one anomaly is South Australia, which enjoys prices that are 107 per cent of the electricity prices experienced in Western Australia. I will come back to the South Australian experience in due course.

Even though the electricity industry in Western Australia is partially deregulated, there is no doubt that there is still a severe lack of competition within the market. Western Power continues to dominate the electricity market in Western Australia. It is the biggest retailer and the biggest generator of power in this State and has control of the transmission lines in Western Australia. It is very difficult for new entrants to enter the electricity market in Western Australia. The Western Power structure is currently rather cumbersome and does not lend itself to an open and competitive market. There have been a number of legal challenges to Western Power over some time, as I understand it. All sorts of obstacles have been thrown up by Western Power to ensure that other entrants do not get a decent foothold in the electricity market. In short, there is no real competition in the electricity market in Western Australia. The reliability of supply is currently not good. How many times have we all turned the radio on to listen to the news bulletin only to find out that we are experiencing rolling blackouts or brownouts, particularly in regional and country areas? How many times have we tried to phone Western Power only to find that there is nobody there to answer the phone and we must speak to an automated message? When we do get through to somebody, nobody knows whom to contact to get any type of service at all. Everyone agrees on the need for change, deregulation and competition in the electricity market. Some, however, disagree about the pace and degree of that change. This Bill provides for a fully deregulated market, creates a wholesale electricity market and disaggregates Western Power into four separate entities. It essentially creates competition in the market, which has been sorely lacking to date. That is the key - competition.

I will support this Bill on behalf of my electorate of Kalgoorlie and the mining industry, which I also see as a large part of my constituency. The people of Kalgoorlie put me in this place, and I cannot in all good conscience

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bring myself to vote against this Bill in the knowledge that it will be good for the mining industry and ultimately for the people of Kalgoorlie.

The goldfields mining industry is a mini-case study in competition. In the mid 1980s the goldfields was connected to the south west interconnected system only after mining companies agreed to pay about two-thirds of the transmission cost to bring the lines from Merredin to Kalgoorlie-Boulder and the goldfields region. By the 1990s the demand had far exceeded anybody's expectations and, as a result, the State Energy Commission of Western Australia, as it was then, began to charge industry in the goldfields a significant surcharge, based on the capacity it was using. It became cheaper for some mining companies to use diesel generation instead of taking power from the SWIS grid. Some time after that, in the mid-1990s, Normandy, Western Mining and BHP developed the goldfields gas pipeline, with the blessing and direction of the Government of the day. Surprise, surprise: Western Power immediately scrapped the surcharges that had been annoying industry in the goldfields for so long.

Some new generators came into the market subsequent to that. There is a generation plant at the nickel smelter, one at Kambalda and three at Parkston, which supply the super pit, one of the biggest goldmining outfits in the country, as well as Jubilee Pty Ltd. The plant at the smelter provides power to the smelter, and the plant in Kambalda supplies power to a number of mining companies in that town. However, the vast majority of mining companies in the goldfields still draw their power from Western Power, including Aurion Pty Ltd, Ausdrill Ltd, Barminto Pty Ltd, Black Swan Nickel Pty Ltd, Byrnes Mining Pty Ltd, Coolgardie Custom Milling Pty Ltd, the Kambalda-based GBF Underground Mining Company, Croesus Mining N.L. - the third biggest gold mining company in Australia - Kanowna Belle Gold Mines Ltd, Kundana Gold Pty Ltd, Newcrest Mining Ltd, Paddington Pty Ltd and many others. Members may well ask themselves why those mining companies are not fully utilising the provision of gas via the goldfields gas pipeline to Kalgoorlie-Boulder. The answer is that Western Power continues to be a significant impediment to competition in that marketplace. It continues to put up obstructions to third-party access to the lines.

Western Power seems to find all sorts of weird and wonderful ways to delay the entrance into the marketplace of other gas-fired power generators. It is certainly very difficult for gas-fired generators in the goldfields to enter into that market given that Western Power controls the transmission and networks, commonly known as the poles and wires. It is within Western Power's means to put up all sorts of obstructions to stop that from happening. Members on this side of the House agree that it is vital to split the transmission - the poles and wires - from Western Power and to create a separate entity. There is no doubt that when that happens, more goldfields mining companies and businesses will be able to avail themselves of gas-fired power via the goldfields gas transmission line. However, a problem remains that the end product that is transported on the goldfields gas transmission line is worth about \$5.50 a gigajoule, and the gas transported on the Bunbury to Dampier gas pipeline is worth only \$3 a gigajoule. If a power station were connected to the Bunbury to Dampier gas pipeline, gas could be drawn from that pipeline for \$3 a gigajoule. Therefore, even after paying a modest transmission fee, and having overcome all the Western Power obstacles, mining and other industrial companies in the goldfields could buy that gas cheaper than they could buy it from the existing goldfields gas power stations. That is one of the major reasons I find myself unable to vote against this Bill.

Small goldfields generators would be able to sell surplus or excess power back into the grid. To some extent that ability exists now through bilateral contracts. Mining companies secure contracts with power consumers for a set amount of power. If they have excess power, they cannot sell that power into a wholesale market and, sadly, that power goes begging. This Bill will set up that wholesale market and allow those companies to sell surplus power into the marketplace.

I wonder whether it would be prudent for me to touch on the Queensland experience; that State disaggregated and deregulated its state electricity company in 1998. Its power generator was split into three generation entities - one transmission entity and two retailers - which all remain government owned. I refer to the Queensland experience because, in many ways, Western Australia is similar to the State of Queensland with its wide, open spaces and a strong agricultural and farming community. Many other similarities can be drawn between the two States. What happened when Queensland disaggregated its power utility? As I said, the government entities remained government owned. However, many new generators came on board, some of which were public-private partnerships. From memory, there are two public-private partnerships in which the existing power provider, which is government owned, took 50 per cent and private industry took 50 per cent. Some peak load generators also came into the market. Essentially, a very competitive marketplace was established in that State.

The only businesses that were allowed to become contestable - by that I mean that were allowed to enter the new deregulated marketplace - were those that had a power consumption of 160 megawatts or higher. The Queensland Government did not allow the domestic market to become contestable, which would have created a

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stampede on the supply and demand equation. Those households were protected with a uniform tariff. Basically, that means the tariff on household electricity supplies was capped, which continues to be the case today, while the State waits for the marketplace to mature. After deregulation, wholesale prices in that State decreased from \$60 to \$20 a megawatt hour - a massive drop, largely attributable to the disaggregation of the power utility and the deregulation of the market.

In New South Wales, Pacific Power, a coal-fired power utility, a body equivalent to Western Power, was split in 1995, I think, into three separate corporations: Macquarie Generation, the Delta Electricity Company and Pacific Power - the third corporation retained the original name. Initially, there were 26 retailers in that State. Deregulation and disaggregation caused the number of retailers to amalgamate into four, all of which were government owned. In that State, following disaggregation and deregulation, household power prices dropped by between 10 and 11 per cent and small business power prices dropped by a more significant amount. By "small business" I mean businesses that incurred a power bill higher than \$16 000 per annum. They are probably medium-sized businesses, and they were allowed into the contestable market place. New South Wales maintained its uniform tariff, which provided protection to householders. It adopted deregulation and disaggregation in stages. It started with customers who used 40 gigawatt hours per annum, then went progressively to those who used four gigawatt hours per annum, 740 megawatt hours per annum, 160 megawatt hours per annum, and, finally, customers who used below 160 megawatt hours per annum. It was a very orderly and well-considered disaggregation-deregulation model, which, as I said, resulted in significantly lower prices to medium-sized businesses and a modest decrease to householders.

South Australia has been down the path of disaggregation and deregulation. It is fair to say that its system could best be described as a basket case. The South Australian Government did not manage the process properly. The Government in this State would do well to watch very carefully the scenario that is unfolding in South Australia. I will describe a couple of things I believe went wrong in South Australia. For a start, it privatised the system at an extraordinarily high cost. The new owner of the power utility, which also took ownership of the network system - the poles and wires - made a significant capital investment, which it needed to recoup. As a result, the price of electricity has increased. In fact, the network was one of the major problems. At least 43 per cent of the power bills result from the network's charge. Networks are a real problem, particularly in the privatised marketplace. The South Australian Government did not keep control of its uniform tariff - in layman's terms, the cap on the price at which electricity could be sold. It handed control of its uniform tariff to a so-called independent regulator, who went all-out and increased prices, much to the disappointment of the industry, even to the point at which those decisions are now the subject of an audit by, I think, KPMG, which is ongoing as I speak.

Mr J.H.D. Day: There will be an independent regulator in Western Australia.

Mr M.J. BIRNEY: The key point is that the Government will still have control of the tariff. One of the major problems was that South Australia allowed householders into the marketplace too soon. The marketplace had not matured to the point at which it could withstand an onslaught of that nature. As soon as householders entered the market, demand outstripped supply. We do not have to be geniuses to work out that when that happens prices tend to go north. In fact, wholesale prices in the State of South Australia dropped. I guess it was an anomaly for people in that State to find that wholesale prices dropped while retail prices increased. I submit to you, Mr Deputy Speaker (Mr A.D. McRae), and to members that what happened in South Australia was more a result of bad management than of bad policy. One great thing about this State going down a similar path following the South Australian experience is that we can learn from South Australia's experience and, hopefully, not make those decisions. As I said, the key decision in South Australia was privatisation at an extraordinarily high figure, which ultimately paid off billions of dollars worth of state debt but, unfortunately, was to the detriment of the marketplace there.

I will return to the Bills and go through a few key points. There is no privatisation provision in these Bills. I support that because if there were such a provision there would be an ultimate conflict of interest between the State, which would want the maximum return for the sale of the asset, and the buyer, which would obviously want the maximum return for the purchase of the asset. I believe the Government intends to retain the uniform tariff, or price cap, on prices in this State. That will offer a degree of protection to city-based and regionally based householders, and they can probably take some comfort from the fact that an increase in the maximum tariff would require the blessing of the Government of the day. It would indeed be a brave Government that would give its blessing to such an increase.

There has been some discussion also about the problem of the reliability of supply and the potential for blackouts and brownouts. I understand that when the new generation companies come on stream, the Government will purchase an additional 20 per cent, or perhaps 30 per cent, of power from them and it will retain that power as an

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emergency power supply to deal with any reliability issue that might arise. Although that may not necessarily appease some people, I believe it is worth giving the system a try.

The provision for the Economic Regulation Authority contained in the Electricity Industry Bill will give some comfort to people in the bush who in the future might encounter problems with the reliability of supply. The ERA will need to be very prudent in the management of its affairs, with a view to ensuring that country people continue to receive as good a service as is humanly possible.

Mr M.G. House: We're not getting it now; don't worry about the future.

Mr M.J. BIRNEY: That is true.

Mr M.G. House: There is no guarantee; we are not getting it now.

Mr M.J. BIRNEY: I made that point earlier.

Mr M.G. House: You were just saying that they should get as good a service as they are getting now.

Mr M.J. BIRNEY: I said as is humanly possible.

It is also fair to say that, given that the domestic market will not be allowed into the contestable marketplace at least in the foreseeable future, there will not be a stampede of the nature that occurred in South Australia. If the marketplace matures in the future to a point at which there is more than one retailer and a number of generators, it is my view that the marketplace could be opened up and domestic householders invited in so that they could, hopefully, obtain better prices.

In January 2005 businesses with a power bill of some \$8 000 or more a year will be allowed into the contestable marketplace. I must admit that I have an interest in this provision because I have a business that incurs a power bill of \$8 000 or more a year. As a businessman in this State - who in my view pays through the nose for his power - I wait with bated breath for the opportunity to hold up another quote to Western Power and to ultimately receive lower prices for power.

Mr J.H.D. Day: Do you know that there would have been a reduction in electricity prices already if it had not been blocked by the Gallop Labor Government?

Mr M.J. BIRNEY: I had heard that. The tariff equalisation fund will also give some comfort to people outside the south west integrated system in rural and regional areas, who may be concerned that they will be forgotten in this process. The tariff equalisation fund will arise from the network's business and will basically subsidise those people who choose to live and work in country Western Australia. Although it may not be perfect, it deserves to be given some scrutiny in the first instance and, possibly, some support.

In my humble view, the disaggregation of Western Power, particularly the separation of the retail arm from the generation arm, is vital if we are to attract true competition to this State. If, for example, a company were thinking about entering the electricity market in Western Australia as a generator and it knew full well that it could not sell power to the State's biggest buyer of electricity, namely Western Power's retail arm, it would think twice about entering the marketplace. Alternatively, it would severely downsize the power station it would consider building. If and when we get to the stage at which there is more than one serious retailer in Western Australia, I know that a future retailer would want the opportunity to buy power from the State's biggest power generator; namely, Western Power generation. If we are to attract real competition, it is vital that those two entities be separated. If we leave the Western Power retail arm - the arm that sends out the bills and provides service to the retail marketplace - vertically connected to the generation arm, which runs the power plants in this State, it will always be obliged to buy its power from its own generation arm. That will scare off any significant new players in the marketplace. That is my competitive analysis.

At some stage I would like the residential marketplace to become contestable. It is important that there be another retailer in the marketplace to give true competition to households. As I said, any future retailer will want to know that it can purchase power from the State's biggest power generator; that is, Western Power's generation arm. If the generation arm is locked with its retail arm, it will create a market, but no-one will enter it. The mining industry, particularly in my and other electorates - the people I represent - will not get true competition in the electricity market. As a result, the Bills will have been for nothing. That would be particularly disappointing to my constituents.

There has been talk about Western Power being locked into its coal contracts and paying relatively high fuel prices. That is largely true. However, there is significant incentive for the supplier of coal in this State to renegotiate the contracts. About 30 per cent of the contracts expire in 2006, which, according to this legislation, is when the new marketplace will start. The remaining contracts expire progressively until 2010. In fact, the majority will expire in 2010. I can foresee the circumstance in which the supplier of coal might approach

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Western Power in the near future confirming that the contracts will expire between 2006 and 2010, at which time Western Power might look at gas-fired generation in order to provide its power needs. It might request a renegotiation of the contracts from \$60 a tonne to, perhaps, \$30 a tonne but, in return, ask that the contracts be locked in until 2015 or 2020. There would be some give and take. There is significant incentive for both sides to renegotiate the coal contracts and reduce the price. Everyone agrees the current price is extraordinary high. With the passage of this legislation, the Government will have the capacity to undertake vesting transitional contracts. I am talking about the ability to lock Western Power retail into buying a certain proportion of its power supplies from Western Power generation. If we put these transitional vesting contracts in place, it will never be the case that Western Power generation has nobody to sell its power to. Western Power uses about 2 800 megawatts a year. If it were to free up in the first instance perhaps 200 or 300 megawatts a year and lock the rest in by using transitional vesting contracts, it would effectively be putting its toe into the marketplace while protecting the interests of Western Power.

Leading up to 2010, there will be a modest reduction in power prices in the State. However, with the passage of this legislation, after 2010, when all bets are off, when the coal companies will have to get serious about their prices and when the gas companies have their infrastructure in place, I foresee significant drops in power prices in Western Australia perhaps in the order of those in Queensland and/or New South Wales. Leading up to 2010, I foresee a modest drop because of those coal contracts. However, as I said, the transitional vesting contracts that can be put in place, perhaps only for a couple of years, will ensure that Western Power retail will still have to buy a certain portion of its power from Western Power generation. Western Power generation will always have somebody to sell its power to until 2010 when those contracts expire. From then on in, I think we will see significant reductions in power prices in this State.

I will finish by telling members that a mining boom is about to start in Western Australia. The nickel price has gone through the roof and the gold price is holding up. The mining industry in my electorate of Kalgoorlie and the surrounding goldfields area is particularly excited about that prospect. One of the great kick-starts or shots in the arm that we can give to the mining industry now is a reduced price for electricity. It is my view - sadly it is not the view of all my friends and colleagues in the Liberal Party - that this Bill will do that. It is with a somewhat heavy heart that I advise members that, sadly, I will be voting with the Government on this Bill, against my friends and colleagues in the Liberal Party. One of the great things about the Liberal Party is that all members are afforded the opportunity to think for themselves, unlike Labor Party members. The one vote, one value debate is a classic example. Every country Labor member of Parliament voted for one vote, one value, which would have decimated country Western Australia. I have no intention of voting against the wishes of my electorate or my conscience.

MR M.G. HOUSE (Stirling) [7.37 pm]: I do not intend to take very long in this debate as I spoke at some length in last week's second reading debate on the Electricity Industry Bill. However, I wish to reiterate a couple of points and put the National Party's point of view on the record so that, when we vote later on, people are clear about our position.

During last week's debate on the Electricity Industry Bill, I raised a number of issues that I think are also generally encompassed in the Electricity Corporations Bill and the Electricity Legislation (Amendments and Transitional Provisions) Bill. A lot of the comments that were made by members in their contributions to the second reading debate were pertinent to the state of the energy industry in Western Australia generally. As I said, I do not want to revisit all those issues but I will raise a couple of points. Members raised a range of issues that they felt affected their electorates and the people they represent, particularly in rural and regional Western Australia. The consideration in detail stage of the Electricity Industry Bill was an opportunity for the Government and the minister to either show some understanding of the position in rural Western Australia or at least accept that some amendments were needed to give some certainty and guarantee to the Bill. Unfortunately, that was not the case and the situation now is as it was then; that is, those of us who voted against that Bill will be seen to be voting against these two Bills. That is the National Party's position. We oppose this legislation, firstly because we have received no comfort from the Government that it understands the problems with the distribution network in rural and regional Western Australia and secondly because it contains no provision to rectify those problems to any degree.

I have said before, and a number of other members have supported the position, that it would be reasonably simple to agree with the principles in this Bill if they were the only consideration. However, the Government has taken the attitude that we will have to trust what it says about the outcomes. It is not necessary for the Government to ask us to simply trust what it says about the outcomes. The Government could include in this legislation some provisions that will guarantee that the ageing infrastructure - that is, the poles and wire - that carries the power through country towns and out to the regions is upgraded over time. I simply cannot accept what the Government is saying and vote for its legislation when my constituents experience power failures on a

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regular basis and cannot get adequate power to run modern equipment such as the larger machinery that is necessary in rural areas. That lack of power means that, not only are businesses closing, but also rural areas are unable to attract new businesses. The energy that comes down the line is the lifeblood of how we operate. It is the lifeblood that generates businesses, creates jobs and allows us a standard of living that is equivalent to that of our city cousins. The power keeps going out, the energy is not enough, but all the Government can do is ask us to trust it and to vote for this legislation. I am afraid that I cannot give it my support. I accept that a competitive generation system would probably be a step forward for this State. I accept that competition will be good and that the profits generated from it could flow on to benefit Western Australia. However, they will not flow on to those of us who live in rural Western Australia. The Electricity Reform Task Force members told us clearly that the solution to our problems was to put small generators in rural country towns and generate our own power like we did until the 1950s and 1960s. That is simply not an adequate answer. In my view, government must meet a community service obligation. That is why we are elected. We gather taxes from people and, as a Parliament, redistribute the money raised from those taxes as we see fit. There is absolutely no reason that some of that money cannot be redistributed to support the ageing infrastructure. That would enable us to support this legislation.

After I pointed out to the minister last week that he had spent the duration of my remarks on the Electricity Industry Bill talking to one of his colleagues, he promised me that he would consider some of the points I had made and proffer answers during the consideration in detail stage. I listened very carefully to the consideration in detail debate, but I did not hear anything that gave me any comfort. He did not accept any amendments that would have satisfied the concerns that I and the people I represent have. I wish it were different because I think that with a bit of thought, foresight and the ability to accept a few amendments, this legislation would have received wider support. All that is needed is some accommodation. I repeat again that the legislation is doomed in the Legislative Council if the minister does not change his position. If he does not change his position, this debate will have been for naught. Some good points have been raised. I acknowledge that I do not agree with the member for Kalgoorlie's stance; however, I accept that some of the points he made are very valid, and I am sure he would accept that some of the points made by those of us who oppose the legislation are also valid. This debate ought to be about compromise on these issues to enable a vibrant energy industry in this State that will provide the benefits of lower electricity prices and certainty of supply to those far-flung areas we sometimes tend to forget about. I guess a person in our position could be a little cynical. Over the weekend we were home in our electorates and the two most common issues raised in rural Western Australia were the proposed closure of the Dumbleyung District Memorial Hospital and the axing of the budget for the Moora hospital. These were budget line items that this Parliament had passed - we went through the committee stages, we had accepted them and we went back to the bush and said, "Yes, you have the money to build the new Moora hospital" and "Yes, Dumbleyung will continue." However, in the middle of that process, despite the fact that Parliament had accepted that budget, the minister has axed it. It cannot be expected that we will accept the word of this Government and trust that we will get a better power system from this process if those practical examples from the past 10 days are anything to go by. We cannot convince our constituents that that will be the case.

In closing, I urge the minister to consider the points we have raised. It is not an insurmountable problem. It is not an amount of money that is beyond the realms of what would reasonably be asked for. We accept that the problem will take some years to rectify, but we want some guarantees in the legislation that that ageing infrastructure will be upgraded to provide a reliable power supply that will meet the needs of a modern community. I urge members to put their weight behind that and to vote against this legislation until such time as the minister gives us those undertakings.

MR P.D. OMODEI (Warren-Blackwood) [7.47 pm]: Having already made my position clear on the Electricity Industry Bill 2003, I will now reinforce my previous comments. It is incidental that my views are very close to those of the member for Stirling, who represents the National Party. Obviously, we both represent people in regional WA and are concerned about the continuity of an appropriate power supply for regional and rural WA. This comes on the heels of what happened this weekend in the middle of one of the premier sporting events in the world. In the south west of WA the power supply failed right in the middle of the rugby final. One can imagine all those people who travelled to the south west for the weekend break, many of them from the metropolitan area, who were absolutely dismayed. This was not an isolated case. In my electorate of Warren-Blackwood, which takes in the Margaret River, Manjimup, Pemberton and Bridgetown areas, and particularly in Nannup, the power has been going out on an incessant basis. It happens not only three or four times a month but sometimes three or four times a day. Those very good Western Power workers are out all hours of the night in the rain, the hail and the sleet to restore power. They go out not just once a day to restore power and then return to Bridgetown, but again in the afternoon, in the middle of the night and so on.

As the member for Warren Blackwood and as the opposition spokesperson for agriculture and regional development, I cannot support this legislation when I cannot give any guarantees about power supply to the

Mr Eric Ripper; Mr Colin Barnett; Mr John Day; Mr Matt Birney; Mr Monty House; Mr Paul Omodei; Mr Mick Murray; Acting Speaker; Ms Sue Walker; Mr John Bradshaw; Mr Rod Sweetman; Mr Jeremy Edwards

people in the rural parts of WA. The Minister for Energy cannot give me a guarantee that power supplies will be maintained in regional and rural WA. We know that \$300 million needs to be spent on the ageing transmission services - the lines and the power poles - in regional WA. We know there is a \$150 million cross-subsidy between city and country when it comes to energy supplies. Similar subsidies are required for the provision of water and sewerage services in Western Australia; without them regional Western Australia would not exist. They are known as community service obligations and are funded by a cross-subsidy through the Treasury, Western Power, the Water Corporation and so on. A lot more money needs to be spent on those power supplies. The highlights of the executive summary of the Deloitte Touche Tohmatsu report state -

Costs associated with disaggregation and market operation, and reduced margin resulting from reduced retail market share, significantly erode WPC's financial performance. If WPC were to be disaggregated into 3 separate entities -

We are talking about four separate entities -

the result would be:

- **Reduced profitability.** Cumulative earnings before interest and tax reduce by \$318m - \$401m over the next 10 years
- **Reduced value to the owner.** -

The Treasurer is disputing this; he is not sure what the figure actually is -

Enterprise value reduces by \$415m - \$500m

- **Reduced payments to Government.** Total dividends, equivalent tax payments and capital maintenance payments reduce by \$337m - \$410m over the next 10 years . . .
- **Concerns about State Generation's longer-term viability.** State Generation may not earn sufficient returns to secure capital on commercial terms in order to sustain capacity and expand in the longer term

The last point is -

- **Significant concerns about State Retail's short to medium term viability.** There is a significant risk that State Retail will be unviable because it is exposed to market fluctuations and is highly sensitive to modest adverse changes in costs and revenues. If the risk of retail losses is shifted back to State Generation through the use of a vesting contract, State Generation's risk profile and performance deteriorate, compounding concerns about its longer-term viability

They are not my words. This is the executive summary of a company that is expert in assessing and making comment about a whole range of things across government. How can I say to my constituents and people in regional Western Australia - people here tonight would know other people in regional Western Australia, they would be related to some or would know some or would have lived there before - not to worry, the Treasurer has everything under control, he can guarantee that not only will those poles and powerlines be upgraded and the cross-subsidy maintained but also the power supply will improve and the price will go down? In the face of this comment from Deloitte Touche Tohmatsu, I cannot - and I will not - do that until the Treasurer and Minister for Energy of Western Australia guarantees that those things will be carried out. I just cannot!

I will refer to some examples in other States where power has been disaggregated and privatised. The Leader of the Opposition referred to this South Australian headline: "Power bills to rise again - Retailer's case for a \$50 annual increase". The article it accompanies states -

The industry push comes amid welfare agency reports that a growing number of pensioners and low-income families cannot afford to pay their power bills.

This was the response by the Energy Minister, Patrick Conlon -

"The bloody retailers have to realise that people in South Australia are hurting and they probably need to be a bit more understanding of their customers."

I wonder whether that is what will be said here in a couple of years. The article continues under the heading "Electricity bills set to rise again" -

Prices have risen 25 per cent in the past year, taking the average household bill from \$860 last year to \$1075, according to ETSA Utilities' figures.

Further -

Mr Eric Ripper; Mr Colin Barnett; Mr John Day; Mr Matt Birney; Mr Monty House; Mr Paul Omodei; Mr Mick Murray; Acting Speaker; Ms Sue Walker; Mr John Bradshaw; Mr Rod Sweetman; Mr Jeremy Edwards

Newton pensioner Ron Talbot said his bill had risen to \$529 from \$436 at the same time last year even though his consumption had been reduced. "The price rises are just so far beyond inflation and it would be very interesting to know just how much these generating companies make," Mr Talbot said.

I can see this happening in a very short time in Western Australia.

The other information that has come to my attention is that if we compare electricity prices for large contestable customers across Australia, the average price paid by large customers in South Australia in 2000-03 was approximately 6.5 per cent higher than that paid by a comparable large business customer in Western Australia over that same period. The advertisement that was in the newspaper recently, promoted by the Chamber of Commerce and Industry of Western Australia and Western Power, stated that some large customers were paying 29 per cent less than their Western Australian counterparts. In fact, since 1997, the average price paid by large customers in South Australia has increased by a substantial 36 per cent. The tariffs for small business, by comparison, have suffered to a lesser extent, with an increase of only 19 per cent, although the residential electricity price has increased by a staggering 60 per cent.

Mr C.J. Barnett: If I can make an observation, the comparative figures ignore the fact that because most of the major consumers of electricity generate their own electricity, their internal price never shows up. If we were to include, for example, Alcoa's own price of generation, its average price would be way down.

Mr P.D. OMODEI: The Leader of the Opposition makes a very good point. In 1997, prior to the disaggregation of South Australia's electricity utility - in that case into six separate businesses - the average electricity price for the large customer category was 6.9c per unit. In 1998-99 it was almost unchanged at 6.94c, a modest increase; in 1999-2000 it was 7.37c; in 2000-01 it was 9.28c; in 2001-02 it was 9.97c; and in 2002-03 it was 9.48c. By comparison, the price in Western Australia in 1997-98 was about 8.94c, and it eased to about 8.89c. Members would have heard both the Leader of the Opposition and our energy spokesman, the member for Darling Range, say that the Western Power board had recommended a 10 per cent decrease. I can recall as a minister in the previous Government that we kept increases in the price of electricity to zero over a long period. I think we put up the price slightly in only one year.

Mr R.N. Sweetman: For residential consumers the increase was 3.75 per cent in 1997.

Mr P.D. OMODEI: I thank the member for Ningaloo for that information; I knew it was something like that. In real terms there was a major reduction in energy prices for residential consumers across Western Australia.

If I can go back to where I started, as I said in the debate on the Electricity Industry Bill, the Labor Party and the Minister for Energy are captives of Treasury and the CCI. Yes, there will be a downward pressure on some of the prices to large customers. However, I believe that in reality this disaggregation will lead to a huge increase in prices for residential consumers across Western Australia. In both Western Australia and nationally, people today are finding it harder and harder to make ends meet. On a range of issues, the States and the Commonwealth are shifting costs to each other; in the end, the cost of everything goes up, and the consumer is forever struggling to find that extra dollar. The minister has said that there will be an 8.5 per cent average reduction in tariffs by 2010. However, a couple of weeks ago the minister said the reduction would be over 20 years. It then became 2010. It then became an average reduction of 11.5c; and on it goes. It is just a blancmange. People in regional Western Australia do not know what to think about this. However, the Government just keeps charging ahead along the path. The Government knows very well that this legislation will run into trouble in the Legislative Council and it is quite likely that the legislation will be rejected. What is it trying to do in Western Australia? Is it trying to go down this path so that when the legislation is knocked back in the upper House, it can claim that it tried and the terrible Opposition knocked it back? The Government should be asking why the collective of the Liberal Party, National Party, Greens (WA) and One Nation will possibly knock the legislation back. The Government should be asking itself what it can do to placate the concerns of those people. It is not as though they will be knocking it back for a political purpose, because the Liberal Party is supporting parts of the legislation.

As a rural member, I will not vote for any of this legislation until this minister can give me a guarantee. The people in regional Western Australia have been kicked from pillar to post. The Moora District Hospital, Margaret River District Hospital, East Manjimup Primary School and the South Western Highway are all being pushed into the background, but the Government can find \$12 million for a dilapidated power station and a quokka shelter. Where are the priorities of this Government? What about talking to people in regional Western Australia and asking them how they are getting on? How about asking them why a young woman must travel from Northcliffe to Bunbury when she is about to have a baby because downtown Manjimup and Pemberton do not have enough doctors in a state-of-the-art hospital for her to be able to have her child there. What are we doing? We are charging down this path.

Mr Eric Ripper; Mr Colin Barnett; Mr John Day; Mr Matt Birney; Mr Monty House; Mr Paul Omodei; Mr Mick Murray; Acting Speaker; Ms Sue Walker; Mr John Bradshaw; Mr Rod Sweetman; Mr Jeremy Edwards

I do not believe the Treasurer. He has not convinced me. I am no Rhodes scholar or Philadelphia lawyer; I am just an ordinary, common farmer who understands plain language. I want to know whether the people of regional and rural Western Australia will have their power supply guaranteed. It is a very simple question. Will the minister tell us in plain English that he will guarantee the powerlines and that the poles will be fixed; that the cross-subsidy will continue, whether it be \$150 million or \$200 million; that the power supply will be maintained; and that the power price will not go through the roof? That is all I want. It is a pure and simple question. He can just tell me in Australian. I do not want it in legal speak, Treasury speak or Ripper speak; I want it in Warren-Blackwood speak. I can then say to my constituents that I have listened to what the minister has said, that I think he is genuine and that I think the power supply will be okay. That is all I want. I am afraid to say that I cannot do that. In all conscience I am not supporting this legislation. The Government of Western Australia has not been able to convince me as the member for Warren-Blackwood, as the shadow minister for agriculture, regional services, emergency services, salinity and anything else people might want to give me. The Government has not been able to convince me that it is genuine about what it is pushing at the moment. I believe the Government is the captive of the Chamber of Commerce and Industry of Western Australia and the Chamber of Minerals and Energy.

I can understand the Government's position. I can also understand the position of the member for Kalgoorlie. Is it not interesting that when the member for Kalgoorlie puts his position, it is a leadership challenge and a leadership division, but when the member for Warren-Blackwood crosses the floor and votes against the party's position, it does not figure? Is it not interesting that the media were in the gallery when the member for Kalgoorlie was speaking? The media certainly were not there when the Leader of the Opposition made his speech, which was one of the best speeches on energy that have been made in this Parliament since I have been a member. The media certainly disappeared as soon as I got on my feet because they probably thought it was not worth reporting. Members may stop nodding! I respect the media a great deal. I know they have a job to do, but what about reporting it as it is? If the media did that, they would report that the Government has not convinced the public of Western Australia that its proposal for energy reform is the right thing to do for not only city people but also those in regional and rural Western Australia. When the power goes out and the milking machines stop, it creates a whole lot of problems for families in regional and rural Western Australia. I rest my case. My position is very clear. I will not support this legislation because the minister cannot guarantee that power will continue to be supplied to regional and rural Western Australia.

MR M.P. MURRAY (Collie) [8.04 pm]: This Bill has huge implications for my electorate. I have listened to and read much of the debate on this legislation. I spoke to many people over the period that this Bill was formed. I must say that I have sometimes quite reluctantly agreed to support the Bill. However, I urge caution. I have urged caution of the minister on many occasions and have also recorded that caution within this House on previous occasions. I have some concerns. One of my major concerns is that the focus has been on the price of coal and not on the delivery of this Bill. There were many opportunities for the previous Government to address the problem with coal prices.

I will go back a few years to when the underground mine was shut. The community of Collie took that on the nose. Those people did not get any grand support packages such as those received by the timber industry. They did not get a great deal of help from either side of politics. However, they took it. They realised that it would pay dividends in the future. Now that we have this Bill people are trying to stall. They are saying that it is perhaps not their turn and that it may be later. I am saying that our turn has come. The disaggregation of Western Power will give both coal companies the chance to become part of the electricity scene if they want to. At the moment they cannot be part of that scene. They must wait for Western Power to make decisions. I do not think that is right. The time has come. We have moved on. The rewards should be coming back to the community of Collie.

I will remind a few people of the cuts that were made. The underground mine was shut. Many jobs were lost. There was workplace reform. People were working 12-hour days, seven days a week. Demarcations were broken down. Even last year there were a further 60 redundancies from Wesfarmers Premium Coal Ltd. The ongoing process of becoming more efficient in the coal industry to provide what most people in Western Australia realise is a necessity - that is, cheaper power - has not stopped. Unfortunately, this process has not gone down to the level of the power industry. It has gone down only to the profits of the companies. That concerns me. Members of the Opposition have carped about the price of coal. The workers on the ground have taken the hits; they have taken it on the nose and have got on with the job. Profits have gone up. Wesfarmers has ruthless business acumen. I do not have a problem with that, but we should share some of the pain around.

I admit that the workers within my industry are well paid. I am proud to say I was a party to that. However, it came at a cost to our community. We now have a shortage of younger people in our community. They left town because job opportunities were no longer available. Things like that take their toll. The population of the

Mr Eric Ripper; Mr Colin Barnett; Mr John Day; Mr Matt Birney; Mr Monty House; Mr Paul Omodei; Mr Mick Murray; Acting Speaker; Ms Sue Walker; Mr John Bradshaw; Mr Rod Sweetman; Mr Jeremy Edwards

community has not dropped a great deal, but many of the people who have moved into the town are in the senior age bracket, which does not really balance out the town. Further, there have been job cuts. Western Power also took hits at that time. It has been said in this place that Western Power workers were well paid in their redundancy packages. I beg to differ. I know of 40 people who sat in a shed for nearly 18 months under the guise of being in training. They played cards. When they did not turn up, their allowance did not get docked. That is disgraceful. That pulls down people's self-esteem. They were treated like animals in a shed. That is where they were put. They went to TAFE for the first few weeks - that was fine - but they were then shifted into a shed in the light industrial area. As time went on it wore them down. In a way they were forced to take those redundancies. It was a disgraceful exhibition by the then Government. It did not treat those people as humans. It was just a numbers game. At the end of the day those workers had a date by when they had to get out of the industry or forfeit their right to a redundancy package. Most of them left and took the redundancy package. I am glad to say that a few of them are still in town, but, by gee, they are bitter about what happened.

The town has taken a big hit along the way. However, it has taken it on the nose and in good faith. The community has got on with the job. The community has been working hard recently to try to change the economic base of Collie, which is something that was not done when opposition members were in power. Today we had the offer of funding for Pinetec Ltd, which will hopefully take up the offer and create 50 jobs. The call centre will create another 30 jobs. Again, this is something that was not done by the previous Government. Collie was a lost soul within the area. Of course, we all know what happens when a town is ignored for so long - there is a change of member. I was lucky enough to benefit from that end result. I am working very hard to make sure that the town gets through this slump, and I support this Bill, which gives us that chance.

I heard the member for Warren-Blackwood talking about power supplies. After disaggregation, when there is an organisation that will look after transmission only, it will become transparent and up-front, and it will have to provide the services. I hope, with my fingers crossed, that that will happen as a result of this Bill. Each and every section will be out there and will be able to be pulled apart if it does not provide the service. At the moment the costs run from one section to another and they can be hidden. What is remarkable is that, on site, Western Power workers wear shirts showing either "transmission" or "generation". They are already split on site as such. They will not have to change their shirts because they already have their area names on them.

Mr P.D. Omodei: Do you think that would be a big saving?

Mr M.P. MURRAY: No, it will not, because if they had kept the same name they would have got the shirts all at the same price, but changing a name costs money.

People have been programmed along the way to accept that there will be some change, and they will accept that change. Some groups within the unions do not support the change, but the miners and the metal trades unions support this measure strongly. I have had many meetings listening to their concerns. I have brought those concerns to the minister and into Caucus. I have had meetings with the unions and the minister in the same room and discussed those concerns. The unions are now happy with the proposal. This makes it easier for me, because I am batting for what my community wants. The unions are supporting the minister in his endeavours, which makes it that little bit easier.

Mr J.L. Bradshaw: Did you say all the unions supported the Bill?

Mr M.P. MURRAY: I did not say all the unions. The Construction, Forestry, Mining and Energy Union and the Australian Manufacturing Workers Union are the two major unions in my community, and they both support the measure.

Mr J.L. Bradshaw interjected.

Mr M.P. MURRAY: The member must be in a different town from mine. In my town, I know they are rock solid behind what is happening here. Just this morning I was talking on the phone to the secretary of one of the major unions at Collie. He was saying that he knew things had to change; there had been change in the coal industry, and now the change in this legislation was needed to enable them to move on.

Mr J.L. Bradshaw: The union sent me this leaflet about increasing power costs.

Mr M.P. MURRAY: That is good, but it was not one of the unions I am batting for. That was from Paul Burlinson. I do not have a problem with that; he is allowed to have his view. I have also spoken to him along the way, and he has put his view to me. I have listened to it and taken it on board, but I am moving on with the minister.

Mr C.J. Barnett: Can you name the unions that support this Bill?

Mr M.P. MURRAY: The CFMEU and the AMWU Collie branch.

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Several members interjected.

The ACTING SPEAKER (Mr A.J. Dean): Members! This is not a slanging match.

Mr M.P. MURRAY: The other thing that makes it much easier for me to stand here is that not only the unions but also the bigger companies in this State support this change. I find it quite strange to see the Leader of the Opposition out of step with big companies. Over the years, people from my background always thought the Liberal Party was in bed with the big companies, but in this case the Leader of the Opposition is outside the bed and the sheet has been pulled off. The Western Australian Chamber of Commerce and Industry and the Chamber of Minerals and Energy are all supportive of this change, which, as I have said, is different from previous changes made by this House.

Mr J.L. Bradshaw: They would say that because they think they will be better off.

Mr M.P. MURRAY: That may be the case, but that is why the legislation should move forward, because it has the support of business. Not only that, members opposite talk a lot about the freedom they have, but this is the first time I have seen one of them get up and stick it to the Opposition, because that member intends to cross the floor. That also tells me it is not all rosy on that side of the House.

Both of the coal companies in my town have lobbied me very strongly. They would like the disaggregation to continue because that will give them a chance to become not only coal providers but also electricity providers if they can sell their product cheaply enough. I make that comment loudly and clearly. If they can produce power at a reasonable price - the minister has undertaken that the process will be open - that will be fine. If they cannot get the cost down to a reasonable price, why should they be subsidised? I make that very clear.

Mr C.J. Barnett: I agree. However, the point is that Griffin could be in the business of selling electricity.

Mr M.P. MURRAY: So could Wesfarmers Ltd.

Mr C.J. Barnett: It could. However, the point is that you do not need to destroy Western Power to allow that to happen.

Mr M.P. MURRAY: I will not argue on that point. However, I will argue that both those companies have lobbied me to work as hard as I can to ensure that this legislation gets through, and I am doing that. The unions, companies and the Shire of Collie have asked me when they can expect a return. I see this as a way of getting a return if things proceed the way I hope they do. Some members have waved about newspaper headlines from South Australia, Queensland and California. I have heard those concerns. I have spoken with the minister and I am sure he agrees with me. He has put me at rest by saying that there will be checks and balances -

Mr C.J. Barnett: He put you at rest?

Mr M.P. MURRAY: Yes, I was very nervous and I did not sleep too well.

Mr C.J. Barnett: He has put you at rest politically.

Mr M.P. MURRAY: I have been assured that, under this legislation, there will be no possibility of Western Australia experiencing the types of accidents that occurred in California that ran all the way down the coast and across the State. That makes it easier.

Mr M.W. Trenorden: Tell us what you think Collie coal is worth. The minister has indicated he wants about \$20 or \$25 a tonne. It is currently \$60 a tonne.

Mr M.P. MURRAY: I do not know those commercial things. However, the coal that members have suggested is worth between \$50 and \$60 a tonne relates only to a small amount and to only one contract that expires in 2010. I have spoken to the companies and told them that they should renegotiate their contracts with Western Power. It is not all coal. It gets up my nose when the Leader of the Opposition keeps talking absolute rubbish about the price of coal. The price of some of that coal is just above \$35 or \$37. I do not have the figures showing how much commercial coal costs. However, the price of coal has reduced in the past couple of contracts that have been signed.

Mr M.W. Trenorden: Last week the minister said that the current price of coal is too high and it must come down.

Mr M.P. MURRAY: There is no doubt about that. That is what I said about the companies wishing to maintain their profit margins while the workers at the bottom end get hit. I do not think that is right. I say loudly and clearly that the companies must come to the party as much as the work force. I have told them that directly. The companies cannot make a 20 or 23 per cent profit and expect the workers to give more all the time. That is why,

Mr Eric Ripper; Mr Colin Barnett; Mr John Day; Mr Matt Birney; Mr Monty House; Mr Paul Omodei; Mr Mick Murray; Acting Speaker; Ms Sue Walker; Mr John Bradshaw; Mr Rod Sweetman; Mr Jeremy Edwards

even as I speak, some unions might be on strike over that issue. The companies are trying to belt the worker and not reduce their profits by even one cent.

Mr M.W. Trenorden: Do you think Griffin has a 20 per cent profit margin?

Mr M.P. MURRAY: Wesfarmers' profit sheets show that it is. I do not profess to know about the Griffin Coal Mining Company Ltd because it is a private company.

Another thing I have a problem with is the much-publicised dream of the Leader of the Opposition to have gas pipelines running everywhere across the State.

Mr C.J. Barnett: It is a pretty good record so far.

Mr M.P. MURRAY: I should not say it is a shame, but we are lucky that the gas pipeline has not had a major rupture or breakdown, and we are lucky that a terrorist has not blown it up. We do not have a backup system in place for any such events. In 2000, the then Minister for Energy did not issue a single press release about coal. He issued papers that referred to pipelines all over the State with a turbine at the end of each one. He made no mention of coal as backup energy source.

Mr C.J. Barnett: Which minister built the Collie power station?

Mr M.P. MURRAY: The former Minister for Energy built half the Collie power station. I suppose that half a power station is better than no power station. Half a power station was poorly built without any checks and balances, and that is why it is the dearest coal power station in the world.

Mr C.J. Barnett interjected.

The ACTING SPEAKER (Mr A.J. Dean): The member for Collie has the floor thank you, Leader of the Opposition.

Mr M.P. MURRAY: I refer to the very vulnerable piece of "spaghetti" that runs from the North West Shelf. Within the next 12 months, six compressors must be taken out of production for a maintenance overhaul. I know which resource will provide energy backup for the State then. It will be the coal industry, but no-one gives that industry any accolades. It is constantly accused of providing power that is too expensive. When have there been major price increases in electricity over the past four years? There have not been any. Price increases have been small because the new contracts have kept the price down. I am referring also to the Collie A power station. Members opposite should stop trying to scare Collie people by saying disaggregation is bad for them. I believe this process is right; it will create opportunities for progress. The Opposition's goals concerning the supply of gas might be just a dream. However, the whole issue amounts to the importance of a two-fuel policy so that we do not fall on our face. I will not recite the speech Tom Jones made many times over the years. We should remember old Charlie Court who initiated the change from coal to gas at a cost of \$30 million. We all know the history of that. We must be careful to make wise decisions about a two-fuel policy.

Mr C.J. Barnett: Remember the Harman committee in the 1980s when you guys were going to develop gas. A Liberal Party balanced it by bringing in gas and coal.

Mr M.P. MURRAY: In those times, we had to make changes, and the Liberal Party was responsible for them. We could not continue in the direction we were taking. As a union representative, I remember well that we had to make sure that we moved on. We worked seven-hour days when we worked underground. I worked underground for 12 years and after four cuts, I could be in the pub by seven o'clock if I had started at three o'clock. That situation had to change. As the Leader of the Opposition said earlier, the underground mines were not closed because of people being injured. They were closed because of a commercial decision, albeit I agree with the Leader of the Opposition that some miners sustained some horrific injuries, many of which were caused underground.

Mr C.J. Barnett: Despite some philosophical differences, from my dealings with the coal industry and the workers in Collie, I genuinely have a great deal of respect for them, although I know they do not reciprocate that.

Mr M.P. MURRAY: I will not comment on that remark; I will allow people to read it in *Hansard*. The coal industry had to change. We have mentioned the Harman report and many other reports that were written in the past recommending changes that had to be made. With time running out, I will not yell as much as Tom Jones used to about the coal industry because things have changed greatly since his days. He was in here the other day on his eighty-first birthday. He cannot quite understand some of the changes that must be made and tells us that we should just get out there and build another power station in the way his Government did. We must convince him that the world is different today. Despite the fact that time is passing him by, he is in good health and that is good to see.

Mr Eric Ripper; Mr Colin Barnett; Mr John Day; Mr Matt Birney; Mr Monty House; Mr Paul Omodei; Mr Mick Murray; Acting Speaker; Ms Sue Walker; Mr John Bradshaw; Mr Rod Sweetman; Mr Jeremy Edwards

MS S.E. WALKER (Nedlands) [8.22 pm]: I refer to what a member of the Government said during the second reading debate on this Bill, which is very relevant to an issue that arose recently this year. On page 13245 of *Hansard*, the member for Rockingham made the following remarks -

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.

The member for Rockingham did not apologise. I raise that because on Sunday I read all the members' comments on these Bills because I oppose this legislation, and I wanted to inform myself about the issues. When I came across those quite nasty remarks of the member for Rockingham, which, judging by the *Hansard*, were not provoked by anyone on this side of the House, I remembered seeing an article in *The West Australian* on Tuesday, 24 July. I want to highlight the member for Rockingham's hypocrisy in an article about the new code of conduct in this place. He said, "The question is, what do we do about it?" He is referring to members' conduct.

The ACTING SPEAKER (Mr A.J. Dean): Before someone picks up the member for Nedlands on a point of relevance, I remind her that this is the second reading debate on the energy Bill.

Ms S.E. WALKER: Yes, it is. What I am saying is relevant because it is part of that debate. I would like to finish what I am saying, Mr Acting Speaker, because it is relevant.

The ACTING SPEAKER: I will pull up the member for Nedlands if she is too irrelevant.

Ms S.E. WALKER: The member for Rockingham had this to say -

Let's hope that the Gallop Government's new code of conduct heralds an improvement in the public's attitude to their politicians. If not, then current attitudes will only discourage good people from standing for public office.

I want to talk about that comment, because I respect the member for Dawesville, as I respect all other members on this side of the House. The Government should follow the code of conduct that it introduced into the House.

Mr A.P. O'Gorman: You should follow it.

Ms S.E. WALKER: I am following it. If the member for Joondalup reads *Hansard* he will see that the personal insults come from his side of the House.

Several members interjected.

The ACTING SPEAKER: Member for Nedlands!

Ms S.E. WALKER: They come from the government side of the House. I ask members opposite to read *Hansard*, if they can read!

The ACTING SPEAKER: Thank you, member for Nedlands. That is one of the dangers of what I perceive as irrelevant comments in the debate: they bring about other irrelevant comments. I ask the member for Nedlands to continue with the second reading debate, please. The question is that the Bill be read a second time.

Point of Order

Mr J.L. BRADSHAW: If matters have been raised in the House, surely they can be refuted, if required. The member for Nedlands is trying to refute some of those allegations. It is interesting to note that the House has a code of conduct that appears to be ignored by government members. Secondly, the member for Nedlands was talking about what the member for Rockingham had said, which was virtually that members who are old should not be in this place. I find that offensive - probably because I am getting old. It is not the right way to go. I disagree with what you said, Mr Acting Speaker, in the sense that members should have the right to speak in the House.

Mr E.S. RIPPER: No doubt I will find discussions denigrating the contribution of seniors more and more offensive as the years go by; nevertheless, that is not the subject before the House. The subject before the House is the electricity legislation. I suggest that if members have a grievance about another issue they find another forum of the House in which to express that grievance.

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The ACTING SPEAKER: Yes. If I were to be a bit precious, member for Murray-Wellington, I would say that you were canvassing my ruling. I will look kindly on it and suggest that you are not. However, you can see the result of what I was talking about. There is no point of order. The member for Nedlands has the floor.

Debate Resumed

Ms S.E. WALKER: Thank you, Mr Acting Speaker. I will put down the portion of the second reading debate that I was reading from and get on with my contribution to the debate.

I have taken the opportunity to contribute to the debate on this Bill, along with the two other Bills that form part of this package of legislation, on behalf of my electorate of Nedlands, which is an electorate that I am proud to represent in this Parliament. I must admit that when I first saw these Bills and attended a briefing with the Western Australian Chamber of Commerce and Industry and the Chamber of Minerals and Energy, I had an open mind. I was quite prepared to listen to as many views as possible on the subject before making a decision.

Mr E.S. RIPPER: Did you go to the briefings from the electricity reform implementation unit?

Ms S.E. WALKER: I read widely and I read everything that was sent to me, including the glossy brochure I have in my hand. I wondered, as I was reading it on Sunday, how much this document cost the taxpayers of Western Australia to produce. All politicians have a printing and stationery allowance. I went through all these coloured documents that I have with me and asked myself how much they cost the taxpayers to produce.

Mr M.P. Whitely interjected.

Ms S.E. WALKER: I think it is important.

I have taken the time to listen to our leader, Hon Colin Barnett. I appreciate and respect the extensive knowledge that he acquired during his eight years as Minister for Energy. I have listened to the contributions to the debate by the member for Ningaloo and the Leader of the National Party and his colleagues, and I read them again over the weekend. I was particularly interested to hear what the Leader of the Opposition had to say on this issue. Like the member for Wagin, I have always tried to get across issues in important pieces of legislation. We all come to this place with our own skills, knowledge and experience. Mine happens to be in the field of criminal law; energy is something that is quite foreign to me. I felt it incumbent on me to read what other members had said and to try and get across the issues. In any event, I have taken the time to try to understand these issues.

These Bills had been introduced against a certain background. A previous Labor Government commissioned a report by Sir Roderick Carnegie to undertake a comprehensive review of the energy industry. Until 1993-94, energy in the State was monopolised by the State Energy Commission of WA as a result of post-war development. I will state how I see the situation before I say why I am opposed to this legislation. The first significant step in energy deregulation was taken by the coalition Government in 1995, particularly by the current Leader of the Opposition, the then Minister for Energy. The State Energy Commission was split into AlintaGas and Western Power, which were established as separate corporations. The coalition Government set down a continuing process of energy deregulation for the State. Our great State is set apart from every other State and most regional economies in the world because of its great natural gas resources. From my own experiences, I know that the State has a huge mineral resource endowment in addition to its agricultural and pastoral industries. During the 35 years I have lived in this State, I have been very privileged. At a relatively young age, I spent a lot of time on sheep stations and lived in the outback. I have seen and heard a lot from many mining entrepreneurs, especially during the 1970s and 1980s. I grew up around miners, peggers and entrepreneurs when I was in my early 20s and 30s. I have spent a lot of time pegging and camping in places that very few Western Australians will ever visit, even if they have the opportunity or desire.

Mr M.W. Trenorden: Have you been to the Murchison?

Ms S.E. WALKER: Yes. I have been to Laverton, Leonora, Kalgoorlie and the outback. I have even been to the Gascoyne. I did things and visited places that I would probably not do now. I have some appreciation of the difficulties. When I read what National Party and country members had to say about the difficulties that country people experience in regional areas, I felt I could relate to them. When I lived on Mooloo Downs sheep station, 180 miles east of Carnarvon, we did not have 240-volt electricity; we had a 32-volt diesel engine. I remember being 24 years old and starting it by filling it with diesel and cranking it. I can still remember the beat of the engine. I had to start it so that we had power at the station. When I wanted to do some ironing, I had to use a small petrol engine; I had to start it to use my iron. I used to envy other stations that had 240-volt electricity. I envied them even more when people at the homestead pressed a button to start a generator. I understand what it is like for people in the regions. I was horrified to read the speeches of the National Party members. I thought it pathetic that National Party members had organised large country meetings on these Bills but that the minister

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did not even bother to turn up. The minister talks about community consultation! From reading the speech of the Leader of the Opposition -

Mr E.S. Ripper: Are you saying that the National Party is pathetic?

Ms S.E. WALKER: I said that the minister was pathetic. Why did he not turn up to those meetings? I would never attack the National Party; I have a lot of time for the National Party.

I appreciated listening to the wisdom and expertise of the Leader of the Opposition. I note that gas was privatised and completely deregulated as an industry. The coalition Government looked after the natural monopoly, which was not the pipeline, but the easement, of which \$50 million was retained by the coalition following the sale in order to widen the easement so that future players could build independent, competitive pipelines. The Leader of the Opposition said that 70 000 Western Australians now own AlintaGas and that it has been a success story under a coalition Government. I have read what members said and I know that gas is a simpler energy commodity to deal with than electricity because gas, like water, can be stored, whereas electricity cannot. These seem very simple matters to people who know what they are talking about with energy. However, if we were to ask the ordinary person in the street about energy, he probably would not know these things. I did not know these things, but I took the time to read and to listen.

Mr J.L. Bradshaw: The other thing with electricity is that you must keep a base of power of electricity going and then you throw in the other peak things at the peak times. There could be a wastage of electricity that they are producing at the time.

Ms S.E. WALKER: That is interesting; I thank the member for Murray-Wellington. I know that it must be produced and delivered to the customer at 172 000 kilometres a second.

Mr C.J. Barnett: I think that is the speed of light.

Ms S.E. WALKER: I know that the Leader of the Opposition is the most learned person in this place on the issue. I know that there are three parts to Western Power: generation and production; transportation through networks or wires to customers; and sales, which apparently are done through a retail contracting system. The natural monopoly in electricity is the south west grid, which extends from Geraldton to Albany with a line to Kalgoorlie. It dominates the grid because it has 80 per cent of the generation of the grid.

The ACTING SPEAKER (Mr A.J. Dean): To correct the Leader of the Opposition, 300 000 kilometres per second is the speed of light.

Ms S.E. WALKER: Thank you, Mr Acting Speaker; I do not mind learning. I also learnt that 60 per cent of the generation is based on coal and 40 per cent on gas. I understand that our grid is more gas intensive than that in any other State. These things have led me to believe that I should oppose this Bill. I was astonished to learn that Western Power's energy generation infrastructure is 25 years and upwards in age. That is incredible. We live in an age of 200, 300, 400 and 500-megawatt units, yet we have mere 120-megawatt units. These units run at a high cost and are inefficient producers of electricity. I was also interested to learn that the costs are high because the generation of our electricity is 60 per cent coal based and our State operates on coal contracts that span back over 20 years, most of which do not expire until 2010.

I have read some of the paraphernalia that has been sent to me. In a letter dated 11 November 2003 from the Minister for Energy, he says -

Dear Member

...

Western Australia's electricity prices are too high, relative to other States and Territories, and greater competition is needed to stimulate economic development and job growth.

We do not find out why the prices are high. I understand that they are high because of our coal contracts -

Mr E.S. Ripper: Did you accept the offer of a briefing from the Government?

Ms S.E. WALKER: Actually I did, but I did not make it.

Several members interjected.

Ms S.E. WALKER: I asked for another appointment and the minister's guy could not make it.

Mr C.J. Barnett: Did they send along a spy from the minister's office?

Ms S.E. WALKER: I do not know; they probably did. I am always interested to learn. Although Western Power generates 80 per cent of our power in the south west grid, the other 20 per cent is generated by Alcoa for its alumina operation and Iluka Resources Ltd for its mineral sands operation. Although they may sell a fraction

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of their energy, it is used predominantly for their businesses. I was also interested to learn - I know this in some instances - that some industries such as hotels, shopping centres and mining companies and, of course, some sheep stations generate their own electricity. Apparently anyone can build a powerhouse, and Worsley and Mission Energy in Kwinana have done so. I also understand that a ring system is being implemented. I do not understand what a ring system is, but I know that it was introduced during the term of the coalition Government to overcome problems with access to the powerline system. However, individual power suppliers and customers are uneasy with it remaining part of Western Power.

These Bills were brought on very quickly and we were asked to respond to them very quickly. I think that is quite unfair. Although I have expertise in some areas of law, I do not have expertise in the electricity industry. Fortunately, sitting on this side of the House is one of the most learned people in Western Australia who does have expertise in the electricity industry; in fact, there are a lot of learned people on this side of the House. I was interested in all the contributions, so I listened and tried to learn what this was about.

The disaggregation effected by this Bill will result in four utilities: the Electricity Generation Corporation, the Electricity Retail Corporation, the Electricity Networks Corporation and the Regional Power Corporation. I was interested to learn that Western Power also has full social responsibility for the elderly and the infirm, domestic households, pensioners, schools, hospitals, country towns and remote communities. It is the linchpin of power in our State.

At that stage I understood the factual basis, so I started reading some of the literature that had been sent to me. I read a letter from the minister that bears the title of one of my favourite Elvis Presley hits, "It's Now or Never". I think I have just read that to the House. The letter says that the time for electricity reform is now or never; we have to vote for this now or the opportunity will be lost, as it will not come around again. For the reasons I have just stated, I do not think the minister was very honest in that document. The letter dated 11 November 2003 states that the Bills will allow us -

to embrace a genuinely competitive, dynamic electricity market that makes room for private sector investment, delivers cheaper and cleaner power -

We have asked the Government how the power will be delivered more cheaply, but it has given no guarantee that it will happen. My electorate contains 24 000 electors, and when I vote on behalf of them I would like to know that I will not be voting for them to receive higher electricity bills. There is no guarantee from this Government that if we vote for these Bills, electricity will be cheaper. That has swayed me.

Mr E.S. Ripper: The Liberals support a reform model.

Ms S.E. WALKER: I am not interested in what the minister thinks or the way he puts the blame on someone else. I am talking about his legislation in this Parliament. It is not mentioned that the high prices are the result of the coal contracts in this State, something for which I understand the Labor Party is responsible. It reminds me of the recent Bill to allow mining on Barrow Island. This Labor Government has sold our State short with that hasty Bill.

Attached to the minister's letter was a media statement from the Chamber of Commerce and Industry of Western Australia dated 30 October which states that both sides of Parliament are needed to support the legislation. If that is the case, why were we briefed just before the Bill was debated? Obviously the people from CCI and the Chamber of Minerals and Energy of WA deserve an audience and to have us listen to them. We received a briefing just before the Bills came on for debate. These big Bills relating to an essential service in this State are being rushed through Parliament.

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

Ms S.E. WALKER: The CCI media statement of 30 October states -

Similar reforms throughout the eastern states have made electricity much cheaper there, rendering industries in WA increasingly uncompetitive.

The media statement also refers to South Australia. I have listened to what some of the speakers on the other side have said about that. Today I received an e-mail from a businessman in South Australia that states -

Dear Ms Walker

... I wrote briefly last week to pass on my comments regarding the impact of changes that have occurred over the past eight years in S.A.'s electricity industry.

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Since then I have seen a full page advertisement in your local 'West Australian' which contains incorrect and grossly misleading information with regard the electricity pricing for typical large/industrial customers in S.A.

I am writing to inform you of what is the correct situation and to also expand on my earlier comments.

...

a) Firstly with regard the full page advertisement that appeared in your local West Australian newspaper comparing electricity prices for large (contestable) customers across Aust - I can confirm that the average price paid by large customers in S.A. in 2002-03 was approximately 6.5% higher than what comparable large business customers in W.A. paid over the same period. The advertisement incorrectly suggested that S.A. large customers were paying some 29% less than their W.A. counterparts - that is definitely not the case.

Since 1997 the average price paid by large customers in S.A. has increased by a substantial 36%; small business (tariffs 160 & 128) has by comparison suffered to a lesser extent with an increase of only 19% (though residential electricity prices have increased by a staggering 60%).

After speaking with Mr Bill Sasegyi it was clear that he had relied on figures denoted as applicable to 2002/03 contained in an ESAA 2002 publication entitled Electricity Prices in Australia 2002/2003 which is published at this time of the year and hence the current financial year figures are really only estimates - one has to wait until the next report to be sure of what the actual figure is.

With regard to Mr Olsen in South Australia it states -

Certainly the ill conceived privatisation by the Olsen govt which encompassed substantial increases in transmission/distribution transfer pricing regime is a major factor and other significant factors are the :

The peakiness of our daily load curve particularly in hot weather.

The delay in acting on transmission connections . . .

He continues to talk about that. Further on the e-mail states -

In summary I can say that 'breaking up' your power utility is most certainly going to increase the cost of delivering electricity and any resulting increase in competition will NOT successfully counter this. So inevitably over time prices will have to rise - and that is a certainty

When I hear your energy minister speaking he reminds me of Olsen (the sorriest day in S.A. was when Olsen replaced Dean Brown) .

Whilst I am here in W.A. if you wish to contact me . . .

I can give the Minister for Energy his number. I have taken on board the minister's comment that he is undertaking reform because public investment decisions are due in 2004. However, the minister has been in government a long time now and he could have given the public, the Opposition and other parties time to consider these Bills more fully. It was disappointing to read that the member for Wagin said that the minister did not turn up for country people in Kalannie, Jerramungup and a host of other places.

I was also astonished to read that two reports prepared by the Energy Safety Directorate show that more than 65 per cent of people are dissatisfied with the service received from Western Power. Those concerns are mainly about reliability, continuity and quality of supply; something that the minister is not giving any guarantee on in this Bill - nothing at all. It is no good the minister now trying to backtrack on those issues. The people of Western Australia no longer trust the Government on any issue - I do not have to explain that because I will read from some other documents. I refer to broken promises on taxes and the appalling case of the vanishing hospital in Moora - brick by brick it is disappearing. As I said, I read the material sent out by the Government from the Office of Energy. It spends hundreds of thousands of dollars on marketing -

Mr J.L. Bradshaw: Millions of dollars has been spent doing reports and studies.

Ms S.E. WALKER: Yes. I also read with interest the member for Ningaloo's analysis of the case studies provided by the Western Australian Chamber of Commerce and Industry and the Chamber of Minerals and Energy of Western Australia. As I say, I thought it was pathetic that the minister stated in Parliament that he established an Electricity Reform Task Force to get to the bottom of the issues but could not be bothered to turn up to public meetings held in country areas.

Lastly, I am indebted to whoever sent me a copy of an article from *The Australian Financial Review* - I do not know if anybody else has quoted it in this debate - dated Friday, 4 July and headed, "For Sale: the power of the

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people". In the article, the journalist Sharon Beder gave an analysis of the battle for control of the world's electricity. I would like to read all of it in -

Mr R.N. Sweetman: It was a really good article.

Ms S.E. WALKER: Yes, it was a really good and comprehensive article and I recommend it to anyone in this State who wants to get across some of the disaggregation issues in the world, particularly in Australia. It states -

Traditionally, governments took responsibility for system reliability but with privatisation that task has been handed over to the market, which has other priorities. By mid-2002 there was a call for more generating capacity. ABARE forecasts increasing electricity demand and the Electricity Supply Association of Australia has estimated that at least \$20 billion must be invested in fuel supply and generation to meet that demand.

The problem is: Who will make that investment? Rather than investing in new infrastructure, many of the private generators have been selling up. Ten billion dollars' worth of existing electricity infrastructure was up for sale in 2002.

Wholesale electricity prices increased again in the winter of 2002 as a result of concerted rebidding by generating companies. From average prices of \$20 to \$30 per megawatt hour, the pool price began to sit at around \$112 per MWh all day, peaking much higher in the evening when people turned their heaters on.

Mr C.J. Barnett: That is a 500 per cent increase.

Ms S.E. WALKER: The article further states -

South Australia has been hardest hit by the price hikes because it imports so much of its electricity from Victoria -

I was indebted to the Leader of the Opposition for explaining that Western Australia is unique in Australia, in that, when its electricity supply goes, it cannot bring electricity in from across the border like other States. The article continues -

- and privatisation has only made matters worse. When the Olsen government privatised electricity in South Australia in 1999, despite election promises to the contrary -

Hello, does that ring a bell? Another Labor Government -

and strong public opposition, it argued that privatisation was necessary to eliminate risks to taxpayers associated with the national electricity market and to enable the state government to pay off its debts.

On the next page, the article refers to the householders and states -

They clearly got the worst of both worlds. The reason for this is simple to understand: electricity is not a commodity that consumers can choose to take or leave depending on price and supply; it is an essential service central to the maintenance of modern lifestyles.

For me, that is the core of the problem. If we had had more time to debate this matter, if the Gallop Government or the minister had engaged the community and had spoken more about the issue, a compromise may have been reached. As the Leader of the Opposition indicated, there are very complex issues involved. If this is such a complex area, and if it is such an essential service, why is this Government ramming this legislation through? That is disappointing. I know that the Chamber of Commerce and Industry of Western Australia and the Chamber of Minerals and Energy will be disappointed, but they must understand that as politicians we represent our electorates, and I am going to represent my electorate and my 24 000 electors.

Since I have been in this Parliament, I have seen so much poorly cobbled together legislation, which has been ill-thought out for the people of this State. I accept that householders use only 20 per cent of the market, but we are in the business of politics and we represent the people in our electorates. I choose to represent my electors by voting against disaggregation at this time, until I can be assured their purses are protected and they will not be forced to make up the shortfall that appears inevitable under this legislation.

MR R.N. SWEETMAN (Ningaloo) [8.52 pm]: I wish to make a contribution to this debate on the most significant section of this legislation. I do not intend to rehash most of what I said during the second reading debate on the first piece of legislation. I have listened to most members' speeches and to what has occurred during the consideration in detail stage. Parliament is a fascinating place to be. One can take something from everybody's contribution. We all come from different walks of life, we have different skills and attributes, and we make earnest contributions on various pieces of legislation. I found it fascinating that the member for Alfred

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Cove went immediately to the dictionary to define "Labor". I do not necessarily agree with the dictionary definition of "Labor", as in Labor Party, of protecting or sticking up for the worker, but Labor members, in common with other members in this Parliament, are here to stick up for everybody - certainly the weak, the poor and the lowly - in the community and to make sure they are reasonably and fairly treated. I remain steadfastly opposed to this legislation. During the minister's response to the second reading contributions, I hope that he will give a clear undertaking that he will not support the amendments to separate out networks and regional, so that we have a three-entity structure instead of a four-entity structure. I am a bit anxious. The more I consider this legislation, the more I think that if I were in the Minister for Energy's position, I might accept the amendments that are proposed to be made in the upper House. As the member for South Perth has said time and again in this Parliament, half a loaf is better than no loaf. I regard a three-entity Western Power structure as being everything bar the crust on the end of a sliced loaf of bread. I think the minister has got nearly everything that he wants, and I am concerned that the minister may see his way clear to accept the amendments in the upper House.

Mr E.S. Ripper: That is right. I had forgotten that the Liberal Party has positions A, B and C, and your position is C.

Mr R.N. SWEETMAN: I know. I have read the *Hansard* again as well. I know that the minister is keeping count of the dissenting voices. I think the minister has said that there are four different positions within our party. In the short time in which this legislation has been brought on, there has certainly been robust debate in the forums of our party to enable us to make informed and very clear decisions on this legislation. I have taken the opportunity over a reasonable length of time, probably going back six or seven months, of gathering information on this issue, knowing that the legislation would be in the House by the end of this year. I am indebted to a lot of people for the information they have relayed to me. I certainly am not accused by people of being inconsistent, but people tend to become a bit typecast or stereotyped in this place from time to time.

Mr J.L. Bradshaw: Yes - slash and burn!

Mr R.N. SWEETMAN: Exactly. That brings me to the next point; namely, that the member for Murray-Wellington has previously referred to me and some of my colleagues as the slash-and-burn brigade within the Liberal Party or this Parliament. I have never regarded myself as that. I consider things on their merit, and I believe I am objective in the way I assess things. Some members have said also that perhaps I am seeking absolution for what the former coalition Government did with the former Main Roads Department of Western Australia. I certainly remain sentimentally attached to that former department, having a father who spent 26 years with Main Roads. I was absolutely astounded and perplexed about what happened to that department. Most of the changes took place before I came into this place, so that is some modest defence of my position. However, from time to time after I came into this place I certainly opposed the way in which the then Minister for Transport, Hon Eric Charlton, was handling the reform. The argument about the reform of Main Roads was similar to the argument that is being used on this occasion. However, the two structures are different, and so too is the size of the reform. This is a huge issue for Western Australians. Main Roads was a smaller issue as it affected people's day-to-day lives. The proposed reform of Western Power is going wrong in a similar way to how the Main Roads restructure went wrong; that is, the consultants' reports do not place enough emphasis and weighting on things such as the intellectual capacity, the management skills, the expertise and the database of Western Power. Main Roads lost some tremendous planners, design engineers, project superintendents and divisional engineers, because they went off to private enterprise. However, in many cases they were re-employed as consultants to Main Roads, or what was left of Main Roads -

Mr J.L. Bradshaw: At about 20 times the price!

Mr R.N. SWEETMAN: Yes. Often they were paid two, three or four times what they were paid when they were employed by Main Roads.

I have made the point, either in the second reading or the consideration in detail stage of the Electricity Industry Bill, that Western Power is dying the death of a thousand cuts. It was clear once this Government was elected that energy reform would take place, and that energy reform meant the break-up or disaggregation of Western Power. Therefore, in the nearly three years that this Government has been in office, a lot of the action within Western Power has been towards achieving that end - the imminent break-up of Western Power. That does not make for good administration or for good and strategic planning in any section of Western Power. Certainly my view, which I have put to many of my colleagues, is that I cannot wait for this legislation to be out of the Parliament, but on the basis that it has been defeated. I am still of the view that the quicker this legislation can get to the upper House and be knocked out, the better. I am of the view that it should not be held up by being sent to a committee of the upper House. I remain firmly of the view that we should set up a select committee

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because it is an issue of such significance to all Western Australians, be they in small business or large business or be they residential customers. They need to have a voice.

Even though I take on board what the Minister for Energy said about the consultation by the Electricity Reform Task Force, it is not an issue that will mobilise the masses. The issue is complex and, even if it is distilled to half a dozen points, it will remain incredibly complex. It is hard to explain to the people the implications of this legislation. We represent the people. In a select committee we would be able to draw in many of the interest groups and some of the groups that potentially stand to be disadvantaged through price hikes and things like that, as a consequence of this legislation. A select committee would be able to distil the issues. I believe that enough consultancies have been used as part of this process. It is interesting that the minister has been less than flattering in his remarks on the Deloitte Touche Tohmatsu report. It was not the only one. A number of submissions made on the work of the Electricity Reform Task Force were similar to the comments in the Deloitte report. Can the Parliament assume that the minister did not like the Deloitte report because he thinks that any submissions on disaggregation that are contrary to his view are not to be treated as credible in this process?

The issue is too important to be handled by the Government of the day on the findings of the Electricity Reform Task Force. It needs absolute community consultation through a select committee process. It would be interesting to call to select committee hearings people from industry, the Chamber of Minerals and Energy and the Chamber of Commerce and Industry of Western Australia. I would be interested to hear what they had to say before a select committee. During my contribution to the second reading debate on the previous Bill I made the point that I felt embarrassed on occasions and felt that I was treated with contempt as a member of Parliament in the way that some of the arguments from industry, through the Chamber of Minerals and Energy and the Chamber of Commerce and Industry of Western Australia, were presented to me. It was kindergarten stuff and amateurish. The arguments were clearly skewed and biased. I do not think that was becoming of a lobby organisation that had particular views on a matter. I have always given lobby groups tremendous credit and treated them with the utmost respect when they are transparent and say that they represent a particular point of view. They help us in our jobs as members of Parliament when they are decent enough to highlight some of the shortcomings, pitfalls and alternative arguments as part of a comprehensive and complete submission, so that a member of Parliament can be better informed and more understanding of the issues. It makes it easier and quicker for a member of Parliament to arrive at a conclusion that may just support their point of view. On this occasion people have come to us who clearly have a vested interest in the outcome of not only the reform process but also the break-up of Western Power. That fact must be highlighted. To date the Press has been unable to distil those vested interest issues in this argument, which is not helpful for the community of Western Australia in understanding all the ramifications and implications of this legislation.

I find it fascinating that the chief executive officer of the Chamber of Commerce and Industry has had a lot to say by way of media releases. Seemingly in every media release he takes the opportunity to put the knife into the previous Minister for Energy in the coalition Government and his alternative views to the Government of the day, to a point that I do not think is appropriate for a CEO of a peak body representing industry. I am a little confused that Lyndon Rowe is being so flamboyant in his views to the media - he is happy to do doorstops and issue media releases - when he has left this issue to other, less qualified people, for want of a better word. I hope I am not being demeaning or patronising in any way of those good people who have tried to sell the argument of the Chamber of Commerce and Industry of Western Australia. When I listen to people such as Bill Sashegyi and others from CCI, I wonder why Lyndon Rowe is not there. The first vision one gets of Lyndon Rowe is of him perhaps sitting cross-legged in his office in front of a life-sized photo of John Maynard Keynes, with Buddha sticks around the room offering up incense, and chanting "om". He is so consumed by economic theory that he has started to get into the spirit of it and has tended to disappear into himself rather than to try to explain or enunciate to us why he holds those views.

We need to highlight the insatiable appetite of businesses for profit. I will relate a story. I read as much as I can, particularly on Western Australian businesses, so that I can understand how they are thinking and working, whether they are prospering and whether they are linking into existing wealth streams or are creating new wealth and those sorts of things. I get a bit anxious with companies such as Wesfarmers. I am still disappointed that Wesfarmers pulled out of Ord stage 2, which, over time, would have created enormous wealth for this State through export income, jobs, revenue and the taxes that would have come back to this State. It pulled out of that, citing a lot of reasons for doing so. One of the most significant reasons was a change of emphasis and the fact that it placed higher hurdle rates that project. It had unrealistic expectations for return on capital. Michael Chaney is on record as saying, and has instructed managers across the various divisions, that Wesfarmers wants a return on capital of 15 or 17 per cent; otherwise, people should explain why it should become involved in projects.

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Margins of 17 per cent are not reasonable in Wesfarmers' case. Margins of 17 per cent are reasonable in a situation in which there has been a substantial lead time in generating the revenue that creates profit. Over time, that is fine. A company may have gone into a greenfields development and it may have taken five years for the development to be profitable. No-one would begrudge Wesfarmers or anyone else a 17 per cent return on capital for that. Don Argus made a speech the other day at area C, BHP's new iron ore mine about 150 or 160 kilometres north of Newman. He is a very interesting man. He said that he was excited about the potential for iron ore exports and was pleased with the decision the BHP board had made five or six years ago to develop area C. BHP spent \$1 billion in developing area C and the rail link, and on improvements to its handling facility at Finucane Island. One of the points he made was that because of the booming world economy, it now looked better than ever that BHP would get a 15 per cent return on its capital in 2006, which was the projection within the project note that went to the board some five or six years ago. That is very significant. It will get a 15 per cent return on capital and no-one begrudges it that because we can look at what it has done with \$1 billion. There has been a five-year hiatus between drawing down on that capital and being revenue positive from that project. It is just not good enough in this day and age, particularly in Western Australia at its stage of development, for companies to think that they can hook into nice, neat little numbers that will return them something like 15, 16 or 17 per cent on their capital. There are no risk takers as such.

Wesfarmers prided itself on the fact that it had limited exposure to the drought when all our farmers suffered during the drought conditions of the past couple of years. Wesfarmers had less than 15 per cent exposure to the rural sector. With the sale of the landmark part of its business, its exposure to rural Australia is probably now no more than two or three per cent. That is a business decision. Whether or not I agree with it, I accept its right to make those decisions in the interests of its shareholders. I sit in the Parliament representing my constituents and the broader interests of Western Australia because I want to see wealth created, jobs created, and a Western Australian companies become successful.

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

Mr R.N. SWEETMAN: I do not want to see companies simply linking into neat little revenue streams such as, in the case of Wesfarmers, building a power house. I do not want to regurgitate much of what I have already said on this issue, but the fact is that Wesfarmers is very keen to provide a 330 megawatt base load power station by linking up with J-Power from Japan. The fuel supplier and the generator will be forming an alliance to provide base load power. My views are similar to those of the Leader of the Opposition and the member for Collie. I believe in a dual fuel policy, but we will need to leave that argument to another time. Wesfarmers is acting out of self-interest because it is probably getting better returns on its coal than it would if it were in a situation in which it would have to bid as a fuel supplier tendering on a coal-fired power station as part of the procurement process for the 330 megawatt power station to be built south of Perth, hopefully by 2007. Wesfarmers, like Griffin, would accept that it had a vested interest in the energy reform process, because it would see itself as a bigger player in the future as a result. It would be the neatest thing in the world, if Western Power does not build any more generating capacity, for companies to slot themselves into nice little businesses and get reasonable returns.

The point was alluded to by the member for Kalgoorlie, with whom I violently disagree on this issue. We do not cook up everything in that office. The member for Kalgoorlie made the point about the South Australian privatisation going wrong. He said that the South Australian Government sold the power company for too much, so the purchasers of the various businesses had to get good margins to recover their debts - similar to the situation with Epic Energy in WA. The member for Kalgoorlie said also that the regulator was involved in rising power prices in South Australia. I disagree with that, although the member may have information that suggests differently. Epic Energy was certainly not allowed, under the regulator, to recoup the capital it put into the Dampier to Bunbury gas pipeline. Effectively, the company is very close to trading into insolvency, and it is up for sale. The regulator is there to set a tariff that is reasonable in the circumstances and most often does not take into account the price paid for the asset. It is interesting that, in the reform process, we are constantly being told that this is being done in the name of competition, and that disaggregation will lead to far more competition. The article from the *Adelaide Advertiser*, headed "Power bills to rise again" may be a forerunner to a similar headline in *The West Australian* in two years time. The article reads -

The move for higher prices is backed by two other energy companies, while the state's leading industry advocate, Business SA, says profits for the companies must be high enough to encourage more competition.

Business SA must be that State's equivalent to the Chamber of Commerce and Industry of Western Australia. The WA Government is saying that prices are too high and that competition in Western Australia is necessary to put downward pressure on tariffs. The argument in South Australia is an interesting one, considering that power prices have already risen a whopping 25 per cent, and now look like rising by another five per cent. The

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residential tariff will be above 20c a kilowatt hour. That is unacceptable, and we hope it does not happen in this State. I cannot, however, see why it will not happen under this legislation.

Mr C.J. Barnett: The South Australian price is 66 per cent above that in Western Australia.

Mr R.N. SWEETMAN: That is absolutely extraordinary. With the time I have left, I will quickly explain some of the reasons that Western Australia is different from other States. It is interesting that the Chamber of Commerce and Industry of Western Australia, the Chamber of Minerals and Energy, and industry in general compare Western Australia with the other States. The average tariff to all classes of customers is higher in Western Australia than the other States. I do not accept that that occurs right across the board, but there is an argument that tariffs in industry are higher in Western Australia than in the other States. Are our tariffs unreasonably higher in the circumstances? A document issued about 18 months ago by the Electricity Supply Association of Australia Ltd shows why Western Australia is different. For example, I refer to fuel cost per megawatt hour in Victoria. I have taken on board the Minister for Energy's comments that fuel is an insignificant part in the overall revenue of Western Power, but it is still a significant part. In answer to a question last week, the minister said it was one per cent or one cent of Western Power's revenue.

Mr E.S. Ripper: It is a significant part of Western Power's costs. It is about one-third. I do not know how you drew that conclusion.

Mr R.N. SWEETMAN: The minister is debunking the argument - taking the CCI and CME's argument - that fuel is an insignificant part of the argument.

Mr E.S. Ripper: At the moment it is an all too significant part of the costs.

Mr R.N. SWEETMAN: It is very significant. In Western Australia, power costs about \$28 a megawatt hour, in Victoria it costs about \$3 a megawatt hour, and in New South Wales and Queensland it costs about \$15 a megawatt hour. There are some very serious differences between Western Australia and the eastern seaboard.

I refer to the average number of customers per kilometre of network. Western Australia has about 16 customers per kilometre of network, although I could be corrected on that. It is certainly no more than 20 customers per kilometre of network. The average number of customers per kilometre of network in Victoria is 72. I refer to data on how much generating capacity and reserve capacity Western Australia has. It is good to have reserve capacity. The reserve capacity has a lot to do with regional power, and where there is an inconsistent load profile in relation to the total installed capacity. I have looked at the breakdown of installed capacity, principal generation plant, the system peak loads and the consumption and the numbers of customers. In almost every category, with the exception of the Northern Territory, Western Australia is worse than the other States. We are at a tremendous disadvantage when compared with the other States with regard to energy costs. If the price of energy in WA is dearer on average than it is in the other States, we should at least be reasonable and admit that we have some unique circumstances in this State. It is a large State with a small population and the infrastructure and networks are extraordinarily large. The infrastructure alone is close to one and a half or two times the size of Victoria's. That is just comparing the south west interconnected system with Victoria. Western Power has done an extraordinarily good job reducing the prices to the extent it has. As other speakers have done, I highlight that energy costs have not increased for businesses since about 1992 or 1993. There have been 10 consecutive years of no increases to business. That is leaving aside that since about 1997 or 1998, Western Power has been doing deals and writing contracts with larger consumers to deliver them even cheaper power.

Mr C.J. Barnett: It does not show up in the tariffs.

Mr R.N. SWEETMAN: It does not. They are confidential. It is not possible to find out what they are. That would help us compare the average price large businesses in this State pay for electricity compared with large businesses in the eastern States. That is a trend that would have continued. I highlight the fact that the residential tariff, which is about 13c now, has increased only once in 1997 by 3.75 per cent. In reality, residential tariffs have dropped by 10 per cent or so over the past 10 years and real tariffs to other customers, excluding the contracted customers, have dropped by 15 per cent. That is significant. That would have continued had the board, not just the managing director, Mr David Eiszele, got its way. The Government should have supported the board and the CEO after they made an announcement about the 2001-02 financial year profit. David Eiszele said that although Western Power had made improvements, its small business customers were still paying significantly more for electricity than their eastern States' counterparts. Those customers include small supermarkets, manufacturing companies and food and retail outlets. On 1 August, Mr Eiszele announced Western Power's proposal to reduce the L1 tariff for those customers over a three-year period starting from 1 July 2003 to match average eastern States' prices. My interpretation of that is that the board of Western Power intended to reduce power tariffs to those customers by 10 per cent over the next three years.

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I will describe how this break up will impact on regional Western Australia, specifically my electorate, and I will make some comparisons in the short time I have left. The gap between the price of electricity to customers in Perth and large regional centres, and the price to off-grid customers must increase. One of my constituents operates a business in Carnarvon that uses nearly three million units of power a year. There is no such thing in Carnarvon as off-peak charges. His requirements are seasonal. The fishing industry in Carnarvon runs for six or seven months of the year. As I said, he uses close to three million units and he would be close to paying the uniform tariff, which will top out at pretty close to 16c or 17c. Despite the tariff cap, there will be no option soon but to increase it. However, I will put that argument aside for the moment. Even if that business operator continues to pay 17c and power prices in Perth reduce because independent power providers will pick the eyes out of the market, the energy providers will want to provide that bloke with three million units of electricity. Who would not want to? There will be downward pressure on tariffs to that large section of industry that will be profitable and viable for energy suppliers and the gap in prices will widen between, say, someone with a seafood processing storage facility at Fremantle or Hamilton Hill and a facility in Carnarvon. Based on three million units a year, every cent the tariff increases or decreases amounts to \$30 000. The owner of Norwest Seafoods is considering a \$1 million to \$2 million expansion of his business in Carnarvon when he can. He has his eye on the cost of energy. If the price of energy between Perth and Carnarvon differs by only 7c, that will amount to a \$210 000 higher cost to that business in Carnarvon than the cost to a business in the metropolitan area. If the cost of power reduces in the metropolitan area, and increases in country areas, the difference will be even more marked. Within at least 10 years - possibly even five years - someone could build a \$2 million factory in Perth and pay for it with the savings he would make on the cost of power if he did not establish it in Carnarvon, Exmouth or Shark Bay. Those issues must be taken into account.

I would have liked to discuss tariff equalisation but we will probably do it to death in the consideration in detail stage.

MR J.L. BRADSHAW (Murray-Wellington) [9.22 pm]: As I have indicated on previous occasions, I oppose this legislation. I do not support the way the Government is handling the disaggregation of Western Power. I have grave concerns about the future of electricity supply in this State. It was interesting to hear the member for Collie speak tonight. I am pleased that he spoke because he did not speak the other day during the second reading debate on the Electricity Industry Bill 2003. I think he is a bit naive if he believes what he is being told by people. I do not know what happens when members suddenly become ministers. They must have some intense -

A government member: Lobotomies.

Mr J.L. BRADSHAW: They must have a lobotomy or something else happens to them. Be they Labor, Liberal or National Party members, they suddenly become economic rationalists as though they are under the spell of an evil force that makes them want to change the world.

Mr R.N. Sweetman: The Government never changes; only the system does.

Mr J.L. BRADSHAW: Yes, the Government never changes; only the people do or the system does. I was getting sick of the economic rationalist approach of my Government. I am well and truly past being sick of it now; it is making me want to vomit!

It is quite interesting to note that this Government is going down the same path that every other Government appears to be going down. I recall when we came to government that the National Party members, who were agrarian socialists, suddenly become economic rationalists. I cannot recall what it was that a couple of National Party ministers changed, but they made a couple of changes that nobody in a fit would have thought they would make. However, they went down that path, although I cannot recall what it was they changed. Similarly, our Liberal Party ministers went down that path.

Mr P.G. Pendal: It is the ministerial aerosol that they are sprayed with!

Mr J.L. BRADSHAW: Something happens to them when they come to government. This Labor Government has now gone down the same route.

Mr P.W. Andrews: Are you advocating that the dead hand of socialism be put on electricity reforms?

Mr J.L. BRADSHAW: In this case, yes. I am not saying that the dead hand of socialism should be put on the reform of Western Power. Western Power has undergone enormous changes in the past 10 to 15 years, as I said in my speech last week. I will use the same example that I used then. Western Power used to have 12 people to change a light bulb - one up the ladder and 11 on the ground. It is amazing how that practice has turned around. Whereas 28 people worked for Western Power in Waroona, there are now four who do the same jobs. If a major blow-out, or whatever, occurs anywhere in Western Australia, a team from another area is brought in to deal

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with it. The cost of power to consumers in Western Australia therefore has reduced dramatically in the past 10 to 15 years.

I have a concern with the people who are currently pushing this legislation, such as the Chamber of Commerce and Industry of Western Australia. That organisation must represent its members; that is, the companies that are trying to make a dollar. If in my heart I believed that the price of power across the board would come down, I would have no problem with this legislation. However, I have grave concerns about the belief that power costs in general will come down.

As I said before, this legislation is privatisation by stealth. As Western Power's generators run down, the Government will not replace them. The Government does not want a rising state debt. It wants business to provide the capital for those generators to keep the State going without the Government having to come up with the capital for it. Ultimately those businesses will have the State by the throat and will convince the Government of the day that they must increase the cost of power to survive and keep the power going. Gas is different. Epic Energy, which bought the Dampier to Bunbury natural gas pipeline, paid too much for it - probably between \$600 million and \$700 million too much. The difference between the gas pipeline and electric power that is supplied to households is that gas will still be pushed down that pipeline and somehow the pipe will remain. However, other power generators that supply the bulk of Western Australia's power will shut down their generators if they do not get a price increase. In that case, the Government will have two options: either take over the generators or approve the price increase. The Government would be loath to take over the generators because it would have to pay for them, run and maintain them and all those sorts of things. There is the possibility that the generators would not have been maintained as they should have been, would be antiquated or in poor condition. No Government would want to take over those generators and, instead, would give in to a price increase. Who would pay for that increase? It would be the consumer, the householder, who can least afford to pay for an increase in the price of energy.

We have heard about what has happened in South Australia. I was interested to hear the member for Collie say that all the unions are on side with these proposed changes. However, I have with me an article from the 12 November 2003 edition of *The Advertiser*; it came from the Western Australia branch of the ASU. I am not sure what the ASU is; it is the Australian something-or-other.

Ms M.M. Quirk: Australian Services Union.

Mr J.L. BRADSHAW: Okay, Australian Services Union. That union is obviously not onside with the member for Collie or the Government. I would be very surprised if many of the other unions are. Why have the unions talked about going on strike because of the break-up of Western Power?

Another concern is that corporate leaders seem to be more worried about how they can make money for themselves than they are about how successful their businesses are or worrying about shareholders. Greed in our society has certainly galloped ahead of the good system we had 20 years ago. I find it incredible the amount of money that is paid to some corporate leaders - board members and CEOs - in our society. It is out of proportion to what it was 20 years ago. It is really sad. As an outsider looking in, and not really knowing how the system works, my concern is that those people are more about how they will convince their boards that they should get more money. Some are paid based on their performance. It is a bit like the share market; if the share market goes up people are happier, but if it drops back, people are not very happy. Telstra invested billions of dollars in Hong Kong and lost it. Despite that, the CEO and board is still there. If I were the Government, I would have sacked the lot of them. What a bad decision that was; it was unbelievable. This Government is trying to tell corporate people throughout the world - they are the ones who will focus on trying to provide generation power in the State - to come here and rape the people of Western Australia. It is saying they can do what they like. That is the way I see it; I do not see this as a benefit for the people of Western Australia.

The State should provide power in an efficient way and pressure should be applied to people to ensure our system is efficient. As I pointed out previously, Western Power has become much more efficient than it was 20 years ago. It is very important that we keep control of that so we know what it costs to produce power and we have reliability of supply. In the past few years we have seen brownouts and blackouts occur throughout the world as a result of privatisation. It is of great concern to people because they hate to lose power. We are very reliant on power these days for lights, refrigeration, airconditioning and hot water systems - a whole range of things. It is devastating when power supplies are cut. People lived with far less reliance on power 50 years ago but, these days, we are very reliant on power.

I oppose this legislation. I tried to tell the Government before that we should make an election issue out of this; it should be put to a poll. We should let the people decide whether we go down this road. I do not think the majority of people support this. The Government will find this is not accepted by people. It might get away

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with this for two or three years but, in the end, will see similar headlines to this in our newspapers: "Power bills to rise again".

MR J.P.D. EDWARDS (Greenough) [9.34 pm]: I will not speak for long; I am aware the evening is wearing on and that the House wishes to rise at a reasonable time. More articulate members than I have spoken in this debate. However, I wish to add some comments to this debate. It has already been said that the replacement costs of our electricity infrastructure will be somewhere in the region of \$300 million. During the second reading debate on the Electricity Industry Bill, I said that there are continual power failures in my electorate of Greenough in the northern agricultural region. I do not see that the direction the Government is taking will improve that. I think that costs to consumers will skyrocket under the break-up of Western Power. The people I have spoken to in my part of the world do not believe there is any particular benefit to them in the break-up of Western Power. I will give credit to the fact that a lot of people possibly do not understand the ramifications of it, but on the surface they certainly do not support it.

I will refer to the same issue referred to by the last two or three speakers about South Australia, which has gone down this road. Customers in that State are already experiencing higher prices, and the welfare agencies are reporting that a growing number of pensioners and families on low incomes are having problems paying their power bills. It begs the question of whether we will face the same situation in the next two or three years. The Australian Gas Light Company wants to raise power prices by five per cent, adding about \$50 to the average annual bill for South Australian families.

I gather that it will cost taxpayers some \$153 million up front and \$26 million a year in ongoing costs to run the four new electricity bureaucracies. That is an enormous amount of money. One must ask where it will come from. If I can pre-empt the answer, that money will come from tax increases, power price rises and probably cuts to other services. I know that sounds like a negative view, but that is the way it is seen by the people I have spoken to. Again, it will affect the people who can least afford it. I hasten to add that I do not particularly have a problem with reform, but it needs to be a measured process; it does not need to be rushed. Electricity is an essential service. It is something that we all expect and accept that we must have. Reform of the electricity industry should be given due consideration and a due process should be followed. Like all things, we need to be able to proceed on a measured basis rather than try to throw everything at it at once. The risk of price increases and interruptions to power supplies is too great, and that is an issue that may come out of this debate as well. Western Australia has a small population base. The question that must be asked is whether we can afford to go down this path as swiftly as the minister wishes. I do not believe we can and, to that end, I do not support the Bill.

MR E.S. RIPPER (Belmont - Minister for Energy) [9.37 pm]: The debate that has occurred on this legislation bears out my view that the debate on the entire package of electricity reform legislation should have been a cognate debate. Essentially, we have heard repetition of many of the arguments and issues that were raised in the debate on the Electricity Industry Bill. I am disappointed that members spent so much time on the repetition of second reading debate arguments, because that will eventually reduce the amount of time available to discuss the detail of the Electricity Industry Bill in particular.

Nevertheless, I feel it necessary to respond once again to the arguments that have been put by members of the Opposition. First of all, I will deal with the problem that we face. In the second reading debate on the Electricity Industry Bill I gave some figures about the prices of electricity in Western Australia. I will not repeat those figures, but I can give a new slant on the issue by looking at the information in the most recent edition of the Electricity Supply Association of Australia's "Electricity Prices in Australia 2002/2003". That most recent edition was provided to the electricity reform implementation unit on 24 November 2003. The comparisons of prices paid by large businesses in Western Australia, Victoria, New South Wales, Queensland and Tasmania are very interesting from the point of view of consideration of this legislation. The price paid by large businesses in Tasmania is 76 per cent of the Western Australian price; in Queensland it is 72 per cent; in New South Wales it is 63 per cent; and in Victoria it is 62 per cent. That is a real problem in this State. If a large business that consumes electricity must make a decision about where to locate or expand, why would it not choose to locate or expand in New South Wales or Victoria, where the electricity price is less than two-thirds the electricity price in Western Australia? That is the issue we need to deal with.

Mr C.J. Barnett: It is the issue, but you don't have the answer. That is the point.

Mr E.S. RIPPER: It is interesting that the Leader of the Opposition agrees that that is the issue but suggests that we do not have the answer. I have noticed a fundamental logical inconsistency in the official opposition position. The official opposition position, as opposed to the two unofficial opposition alternative positions, is to support the disaggregation of Western Power but not the entirety of the Government's model. The official Liberal Party position is to support the removal of the networks and part of Western Power Corporation from

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Western Power Corporation. The official Liberal position is also to support the creation of an electricity market. However, those Liberals who support the official position spoke extensively during the debate about the costs of electricity reform and what they see as the loss of value of Western Power and its successor organisations and the loss of dividend payments to the State, and cast doubt on the benefits that will be achieved by the reform process. In short, the advocates of the official Liberal position concentrated on arguments that would lead people to expect that they are totally opposed to the disaggregation of Western Power. The weight and trend of the arguments have been about all the disadvantages of the structural reform of Western Power. Amazingly, the official position of the Liberal Party is nevertheless to support a three-way structural reform of Western Power and the creation of a competitive electricity market. The arguments the party has presented in the House have not borne a close logical relationship to the position that its party room adopted. It is a very strange position.

Further, although the Liberal Party supports a reform of Western Power that involves all the costs of the Government's position, its official position will not deliver the benefits of the Government's reform model. That is not just the Government's assertion; that is the conclusion of the Electricity Reform Task Force and Allen Consulting Pty Ltd. Allen Consulting specifically examined the difference in benefits that a three-entity model and a two-entity model in the south west interconnected system would achieve.

Mr J.H.D. Day: You are wrong in assuming that the Opposition's model would have the same cost. That is a wrong assumption.

Mr E.S. RIPPER: The member for Darling Range needs to back up that assertion because my people have examined this matter. The electricity reform implementation unit reports to me that all the costs involved in the four-way model are involved in the three-way model. Unless the Liberal Party is prepared to put forward a lot more information than it has so far, it cannot advance with any credibility the argument that its model has savings in costs. Quite frankly, I put aside everything the Liberal Party has said about costs, values, dividends and benefits. That is all relevant if a position is adopted that is opposed to the structural reform of Western Power. However, the Liberal Party is not, at least on an official basis, adopting a position opposed to the structural reform of Western Power. The only issue before the House now is which structural reform model to adopt: the Government's four-way model or the Liberal Opposition's three-way model. What has been really disappointing about the debate is how it has not focused on that particular issue. I urge the Liberal Party, as we go through the consideration in detail stage, to focus on that one remaining fundamental difference between the Government and the Opposition. Why is it that the Opposition wants to have a stapled retail generation entity emerge out the structural reform of Western Power? Why is it that it will not support the separation of retail from generation? It cannot be for any savings of costs because there are no savings of costs. The disaggregation costs are virtually the same. The market costs are certainly the same. There will be additional regulatory and oversight costs if there is a stapled retail generation entity because that entity will have significant capacity to misuse market power in the new market. I would now like to see the debate shift to that remaining fundamental point of difference between the Liberal Opposition and the Government; that is, whether we should emerge from the structural reform of Western Power with a retail corporation and a generation corporation or with a stapled retail generation trading entity.

I have been trying to work out what arguments the Liberal Party has for its official position. I can understand the arguments behind the member for Kalgoorlie's position. I can understand the arguments for the positions of the members for Ningaloo and Murray-Wellington, who are totally opposed to the structural reform of Western Power. What I cannot understand is the argument of the people in the middle - represented by the Leader of the Opposition and the member for Darling Range - for their model for the structural reform of the electricity supply industry. What is the Liberal argument for their reform model as opposed to our reform model? I listened to the Leader of the Opposition -

Mr C.J. Barnett: I will make a little observation. I know its fair game to focus on the Opposition and the Leader of the Opposition, but has it not occurred to you that the Liberal Party, the National Party, the Independents, One Nation and the Greens all oppose your legislation? Has it not occurred to you that all other parties in this Parliament oppose what you are doing? Perhaps you are not right.

Mr E.S. RIPPER: Certainly not all other members of all other parties oppose the reform position adopted by the Government. However, let us come back to the arguments put forward by the Leader of the Opposition, because he is chief representative of the official position of the Liberal opposition on this matter. The Leader of the Opposition lamented that no Labor member had spoken up for the disadvantaged, the low-income earners, the regional people or the workers. There was a very good reason for the Government not having Labor members speak on these issues, and that reason was that disadvantaged people, low-income earners, regional people and the staff of Western Power are not disadvantaged by the reform program the Government is putting forward. All of the issues that might relate to the needs of those groups of people involved in the reform process have been taken care of by the specific features of the reform the Government has put forward. For example, pensioner

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concessions are provided by a community service obligation payment from the Government to Western Power. That community service obligation payment will continue. All of the pensioner and other concessions offered from within Western Power will be maintained within the new system. For example, householders will be protected by a retail tariff cap, and that cap will be backed by law. Regional customers will be protected by the maintenance of the uniform tariff or price equality. The fact is they will have better protection than they have had to date. The uniform tariff at the moment is an internal cross-subsidy within the accounts of Western Power. As Western Power is exposed to more and more competition - and that will happen even with the status quo - surely that internal cross-subsidy within Western Power's accounts will come under some threat; it is only protected administratively. A minister could change that subsidisation of the uniform tariff, as the Leader of the Opposition did when he was the Minister for Energy. Under this reform program the uniform tariff is sustainably funded in a way that is backed by legislation. A tariff equalisation fund will draw from the networks and pay for the maintenance of the uniform tariff in the non-interconnected systems, such as the one in the electorate of the member for Ningaloo. In the south west interconnected system the uniform tariff will be protected by an average transmission use charge; in other words, a person in Wyalkatchem will in effect incur the same cost for the use of the network as a person in my electorate of Belmont. Therefore, a business in Wyalkatchem will have the same access to the benefits of competition as a business in Belmont. Furthermore, the consumer protection measures in this reform should be noted by all of those people who have raised questions about what will happen to ordinary householders and their electricity accounts. This is not just a program about the structure or reform of Western Power; this is a much, much bigger project than that; there is a lot more to it than whether Western Power is broken into four or three. Creating an electricity market and creating a whole new regulatory arrangement is a massive project. More than 200 subprojects are involved in this program, in both the electricity reform implementation unit and in Western Power itself, and consumer protection is one of the significant issues that is being addressed. There will be a customer service code, an energy ombudsman, obligations on electricity organisations to connect and supply customers, and a retailer-of-last-resort scheme. Therefore, consumer protection will be enhanced by this legislation - not just by this Bill but by this package of legislation, of which this Bill is a part.

The Leader of the Opposition raised the question of the current gap in prices paid by householders and businesses. He implied that that gap would close to the disadvantage of householders. The advice available to the Government from the experts who have studied this legislation on behalf of the Government is that prices will fall for all. The Leader of the Opposition scoffs at that advice. I repeat: the advice available to us from the Electricity Reform Task Force was that compared with the base case - in other words, compared with what would happen if we were to stay with the status quo - electricity prices will fall by 8.5 per cent by 2010. It is true that householders in this State are disadvantaged less than businesses. Therefore, the price falls for businesses are predicted to be larger than the price falls for householders. That is because, at the moment, businesses in this State are more seriously disadvantaged, compared with businesses in other States, than householders. However, business price falls should not be assumed to have no benefit for householders. After all, householders are both employees of businesses looking for job opportunities in new and expanding businesses, and customers of businesses buying goods and services from those businesses, which one would hope would be relatively cheaper if an important input - electricity - were cheaper as a result of this reform. Our best advice is that prices will fall for both householders and businesses, and that the price falls for businesses will also be of benefit to householders through the effects on employment and on the prices of goods and services supplied to householders by those businesses.

The Leader of the Opposition also advanced the argument that we need to tackle the fundamental obstacles affecting costs in the electricity supply industry. In response to that argument, I would argue that the creation of a competitive electricity market will help to generate pressure and tension for a reduction in costs in those areas. We need head-to-head competition in all aspects of the electricity supply industry - between gas and coal, between different gas suppliers and coal suppliers, between generators, and between retailers. Let us assume the Leader of the Opposition is right and, outside of a competitive electricity market, he finds some other way in which to tackle what he calls the fundamental obstacles affecting costs. That still leaves the question of how can we make sure that the benefits are not retained by the businesses that are operating in the electricity supply industry but are passed on to consumers. The way in which we will ensure that the benefits are passed on to customers is through the creation of a competitive electricity market. It is not good enough to simply create the market and remove the networks. The retention of a stapled retail-generation entity will in itself be a fundamental barrier to the entry of new participants into this industry. It may well be that the market will fail if we persist with that element of the Liberal model.

The Leader of the Opposition also went on to call for orderly reform of the electricity supply industry. I agree with the Leader of the Opposition that there should be orderly reform of this industry. I do not support a rushed, unplanned and undisciplined approach to reform of an industry that provides an essential service that must be

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supplied 24 hours a day, seven days a week, every day of the year, and that cannot be stored. I support an orderly and systematic reform program. The point is that is what we have got - an orderly reform program. We have not rushed with this.

Mr J.H.D. Day: With enormous risks in it.

Mr E.S. RIPPER: All those risks are being appropriately managed. We put this policy to the people before the election.

Mr J.H.D. Day: Let us test it at an election. It is a core issue.

Mr E.S. RIPPER: The fact is that it has been tested at an election. It was put to the people before the last election. The Leader of the Opposition as the previous Minister for Energy surely knew what our policy was. If this policy was so vote changing, why did the coalition Government not raise it prior to the last election? Surely the Leader of the Opposition and his colleagues knew what we were proposing. I had given speech after speech on this matter to the business community. I found it surprising before the election that I could not get much coverage of the policy. I even spoke directly to the business journalists at *The West Australian* to tell them that the policy was being launched and that they should give it some coverage. The fact that the media were not interested in the policy perhaps meant that the Liberal Party felt it did not need to debate it.

Mr C.J. Barnett: Who wrote the policy?

Mr E.S. RIPPER: It was drafted in the first instance by my predecessor Bill Thomas, who was the opposition spokesperson on energy. I substantially revised it when I took on the shadow portfolio in opposition. I claim at least two contributions to the overall policy: I claim the decision to establish the Electricity Reform Task Force and the decision to bring together the regulatory authorities in the Economic Regulation Authority.

Following the election, we established the Electricity Reform Task Force. It took more than a year to bring down its recommendations. Its processes involved very significant consultation with the industry and the public. It had a web site. Everybody could participate in its work. The Government then determined to adopt those recommendations and established the electricity reform implementation unit. The work of the electricity reform implementation unit has involved very significant levels of consultation. For example, a market rules development group is operating right now on developing market rules for the new market. Some 37 different representatives are involved in that market rules development group. We have had a consumer forum, a union consultation committee, an industry reference group and an agency consultation forum.

Mr J.H.D. Day: You have not exactly got the unions on side, have you? What did the unions think about it?

Mr E.S. RIPPER: The coalminers support the reform, the metalworkers support the reform, the Australian Services Union does not support the reform, and I believe the Communications, Electrical and Plumbing Union does not support the reform.

Mr C.J. Barnett: What is the position of Unions WA?

Mr E.S. RIPPER: I am not certain of the current position of Unions WA, but I can say that there are four power industry unions, two of which support the reforms and two of which do not.

We had the election policy, the Electricity Reform Task Force and the electricity reform implementation unit based on very significant consultation. We are now proposing to establish successor organisations to Western Power from 1 July 2004. We are proposing to establish the market from 1 July 2006, nearly three years away. We are not proposing to establish full retail contestability until all those other reforms are bedded down and the Government of the day - we assume that will be us - makes a reassessment of the position in 2007 for the possible introduction of full retail contestability in 2008. That is an orderly, systematic, consultative, professionally-run reform program. I will have none of the argument that somehow or other Labor has a bull-at-a-gate reform approach. It is nothing like that. Labor has a cautious, pragmatic and well-organised reform implementation project. As I have already said, it is a massive project. There are more than 200 sub-projects in this reform program.

Although the advocates of the official Liberal position have not articulated the arguments very well, they have a concern about the viability of the Electricity Retail Corporation if it is to be separated and on its own and, indeed, of the Electricity Generation Corporation if it is not to be linked to the retail operation. I do not think that the advocates of the official position of the Liberal Party have noticed the provision in the legislation for arrangements to be determined by the minister to apply between the corporations following their separation. I confirm to the House that it is the Government's intention to establish vesting contracts between the Retail Corporation and the Generation Corporation covering the supply of electricity for the franchise customers of the Retail Corporation. These vesting contracts will allow for the market power of the state-owned generation entity to be mitigated to allow for the establishment of a genuinely competitive market. The contracts will also allow

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for the management of the growth of competition in this area. Finally, the contracts may also be developed in a way that will ameliorate concerns that anyone might have about the viability of the Retail Corporation and the Generation Corporation. I want the Liberal Party to understand that the policy trade-offs in this area have been considered. The Government believes that it will get a much more successful result out of the market from a reform model if there are separate retail and generation corporations. However, through these vesting contract arrangements, as recommended by the Electricity Reform Task Force, better safeguards can be built into the system to deal with some of the concerns that have been raised by the advocates of the official Liberal position.

The Liberal Opposition also raised questions about the future of Western Power staff. A union consultation committee has been working extensively on this issue. The legislation guarantees the employment of Western Power staff. It guarantees the entitlements of Western Power staff. The legislation requires a transfer policy to be established so that the career opportunities of current Western Power staff will not be disadvantaged by the creation of the successor organisations.

The Liberal Opposition asked where are the suppliers of the new, private generation. We already know that AlintaGas has committed to a co-generation unit in conjunction with Alcoa. Furthermore, AlintaGas has announced plans for up to 10 of these units. There will be significant opportunities for private sector generation. By 2009-10, taking into account growth in the market and the necessary retirement of Western Power plant, up to 1 200 megawatts of new generation will be required. That deals with that objection. There is room for the private sector to compete. Private sector proponents are ready and willing to compete. Furthermore, they say that their investment decision is encouraged by the Government's commitment to electricity reform. That is what AlintaGas said. It is confident in making its investment because of the Government's electricity reform program. The reform program is therefore already working. It is already attracting private sector investment in generation. However, I absolutely deny that we are crippling the government-owned generation corporation. We are constructing a genuinely competitive electricity market that is not so thoroughly and absolutely dominated by a retail and generation entity commanding 80 per cent of the market that no-one else wants to get into the ring and play.

Mr C.J. Barnett: If, on your argument, there is no way that Western Power can be vertically integrated, why do you make no comment on the vertical integration of AlintaGas?

Mr E.S. RIPPER: I have dealt with this issue in my response to the remarks of the Leader of the Opposition on the earlier Bill. If he has not read the *Hansard* or listened to my remarks, I will repeat them. It is a question of ameliorating the market dominance of Western Power. When an organisation controls 80 per cent of the market, there must be some rules to mitigate the market power of that organisation. There is great potential for misuse of that market power, and the best constraint on that misuse is the separation of retail from generation. We should really get into the detail, rather than have too much second reading debate. It is not proposed that the prevention of the retail section from involvement in generation, or of generation from involvement in retail, be permanent. What is proposed is that retail be kept out of generation, and vice versa, for a period while a competitive market is established. In five or six years, retail may well get back into generation, particularly through the ownership of some peaking plant, so that it can better manage the risks in its market. It may well happen that, in five or six years, generation has a limited retail operation in order to sell to larger customers. That is all there in the Bill, if people pay attention to the detail and listen to the briefings. With regard to other people's integration of retail and generation, as far as the market stands at present, and as it will stand in its infancy, I do not see that as a problem. However, the Australian Competition and Consumer Commission might well see it as a problem in due course. The ACCC sees it as a problem in Victoria, where it is trying to stop AGL Pty Ltd from buying the Loy Yang Power plant because it does not want to see generation and retail reintegrated in the eastern States. The ACCC is going to court to try to stop that acquisition.

I need to move on. Some people in the Opposition have complained about the number of reports undertaken in the preparation of the Government's policy. On the other hand, they have also complained about what they see as a rush to reform. They cannot have it both ways. Either the Government has been properly going about the preparation of this program through consultants and other studies, or it has been rushing headlong towards an ill-considered policy. The very people who demand a properly considered policy cannot complain about the number of studies and reports being undertaken in order to make sure that we get this right.

The Opposition has also raised the question of what it sees as an ageing and immature electricity infrastructure in this State. The reform program bears on that. The reform program will encourage private sector investment in new power plants in this State. Private sector investment in those plants will release taxpayer capital for investment in the networks. In consequence, it will mean that new public and private power plants will be added to the system and public investment in the upgrading of the network will be increased.

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During the consideration in detail stage of the Electricity Industry Bill I was able to establish with the National Party representatives that that Bill includes a framework for the establishment of reliability standards and a framework for the enforcement of those reliability standards. There is a framework within the Electricity Industry Bill to deal with the reliability issues that the National Party and others have raised. The National Party still has an outstanding question that it would like the Government to answer: how does the Government propose to use that framework and what sorts of reliability standards does the Government envisage might emerge from the use of that framework? In informal discussions with the National Party, I have undertaken to consider that very important question. I repeat that there is a framework for reliability establishment and a framework for reliability enforcement in the Electricity Industry Bill. The National Party has raised a legitimate question about how the Government might use that framework. I intend to have further discussions with the National Party on that matter.

We should now spend a little more time on the question of whether retail should be stapled to generation. If the Liberal Party's model for reform were adopted, an entity would emerge from the reform of Western Power that would very significantly dominate the new market and be able to misuse its market power. The entity would have every opportunity and every incentive to misuse its market power in the balancing market, the residual trading market and the available capacity market. There would be three markets in which that market power could be misused.

Mr J.H.D. Day: What do you say to the head of Integral Energy in New South Wales who says it is absolute folly to require generation and retail to be separated?

Mr E.S. RIPPER: I say that he has a very strong opponent in Mr Graeme Samuel, the head of the Australian Competition and Consumer Commission, who will probably take court action against him if he seeks to implement that proposition through the acquisition of the relevant organisations. If that dominant entity were able to misuse its market power, the benefits that would otherwise flow from the reform would be eroded. That was the conclusion of the Electricity Reform Task Force and that was the conclusion of the Allens Consulting Group, which specifically examined whether a two entity or a three-entity model in the south west interconnected system would produce the best results. That is the key question. The Liberal Party's model would not save on the costs; it would significantly reduce the benefits. If the Liberal Party disagrees with me and thinks its model would save significantly on the costs, we must go through the costs in the consideration in detail stage and see where the Liberal Party claims it can save money. All the advice available to me is that money cannot be saved by adopting the Liberal Party's model. Indeed, significant benefits could be lost. At the extreme, the Government might go to all the trouble of establishing a competitive electricity market and it might incur all the costs and find out that in reality it would achieve very little practical competition. If that were to happen, costs would be incurred that must be passed on to electricity customers, but the corresponding benefits would not arise from real practical competition. In fact, the situation could arise in which the misuse of market power in the competitive electricity market by the stapled retail and generating entity resulted in an increase in prices. The Liberal model would cost us the same as the Government's model but could conceivably result in an increase in prices rather than the reduction in prices that we expect from the Government's model.

Mr J.H.D. Day: We can provide open access less expensively than your model proposes.

Mr E.S. RIPPER: The member for Darling Range supports the industry Bill and therefore he supports the costs that that Bill will incur. If he did not support the industry Bill, he might have an argument on costs. His party room position is to support the industry Bill.

The Government has a historic opportunity for reform here that it does not want to miss. If the Liberal Party seeks to force a half-baked model on the Parliament, we will miss this historic opportunity for reform and another opportunity will not come around in the near future. That is because the Government, through its government-owned organisation, will have to make the decisions for taxpayer-funded investment in new power plant capacity. The Government would be irresponsible not to make those decisions for investment in new power plants. Once those decisions are made, given the lead time for new power plants, the private sector will be frozen out of the market for years. In other words, if we do not make the reform now and we therefore cannot bank on private sector investment in power plants, we will have to make a decision for public sector investment in power plants. That will lock out the private sector, even if someone comes along in a year or so with a new reform proposal.

I will deal now with people who think we should do what Western Power tells us rather than what the Electricity Reform Task Force and the electricity reform implementation unit in the Office of Energy through its processes tell us we should do. I can do no better on this subject than to quote Hon George Cash when he said -

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In due course, when the legislation comes to this House, all members of Parliament will have an opportunity to consider it. One of the specific considerations that I will apply to the legislation will be to determine just who was involved in the drafting of the legislation and regulations. I will consult with industry and with those in Western Power who are good enough to confide in me on the inner workings of Western Power and the conflict that is currently occurring within that organisation as a result of the Government's decision to pursue electricity reform in Western Australia. If, through that consultation, I find out that Western Power has in fact dominated the scene, I for one will not support the process that I believe, if properly handled, would be good for the Western Australian community.

Well spoken Hon George Cash. He supports reform and he warns against allowing the process to be dominated by Western Power.

Question put and a division taken with the following result -

Ayes (25)

Mr P.W. Andrews	Mr S.R. Hill	Ms S.M. McHale	Mr E.S. Ripper
Mr M.J. Birney	Mr J.N. Hyde	Mr A.D. McRae	Mr P.B. Watson
Mr A.J. Carpenter	Mr J.C. Kobelke	Mr N.R. Marlborough	Mr M.P. Whitely
Mr A.J. Dean	Mr R.C. Kucera	Mrs C.A. Martin	Ms M.M. Quirk (<i>Teller</i>)
Mr J.B. D'Orazio	Mr F.M. Logan	Mr M.P. Murray	
Dr J.M. Edwards	Ms A.J. MacTiernan	Mr A.P. O'Gorman	
Mrs D.J. Guise	Mr J.A. McGinty	Mr J.R. Quigley	

Noes (16)

Mr C.J. Barnett	Mr J.H.D. Day	Mr M.G. House	Mr R.N. Sweetman
Mr D.F. Barron-Sullivan	Mrs C.L. Edwardes	Mr B.K. Masters	Mr M.W. Trenorden
Mr M.F. Board	Mr J.P.D. Edwards	Mr P.D. Omodei	Ms S.E. Walker
Dr E. Constable	Ms K. Hodson-Thomas	Mr P.G. Pandal	Mr J.L. Bradshaw (<i>Teller</i>)

Pairs

Mr D.A. Templeman	Mr W.J. McNee
Mr C.M. Brown	Mr A.D. Marshall
Dr G.I. Gallop	Mr R.F. Johnson
Mr M. McGowan	Mr T.K. Waldron
Mr J.J.M. Bowler	Mr R.A. Ainsworth
Mrs M.H. Roberts	Mr B.J. Grylls

Independent Pair

Dr J.M. Woollard

Question thus passed.

Bill (Electricity Corporations Bill 2003) read a second time.