ELECTRICITY CORPORATIONS AMENDMENT BILL 2013

Second Reading

Resumed from an earlier stage of the sitting.

DR M.D. NAHAN (Riverton — Minister for Energy) [2.50 pm] — in reply: Before the lunch suspension, I was coming to the end of my response to the various comments on this bill. In the two minutes I have left, I will deal with some of the outstanding issues raised. The member for Cannington asked for an explanation of the role of Peter Oates, who is the chairman of the Merger Implementation Group. The implementation group comprises Peter Oates; Ray Challin, the director general of the Department of Finance; and David Hunt, who is an independent electricity market expert. Under the implementation group project, Peter Oates is engaged under a government contract and is paid through the Public Utilities Office. He sits in my ministerial office. It is organised very much similarly to the energy taskforce, and he has done a great job. An issue raised repeatedly by various commentators was the extent to which regulations were following the bill. I add that this is not an unusual event, and we expect to get the regulations to Parliament in early December. To give an example, when the Electricity Industry Act was formed in the early part of the last decade, it was under 13 different sets of legislation, all of which were presented after the bill was passed. The most important one, the Independent Market Operator, or IMO, which basically shifted the regulation away from government to an independently funded body, over which the government had very little control, had a delay of 160 days—in the vicinity of five months—between the act's assent and the regulations being put to Parliament. Items such as the electricity code of conduct were very important.

Division

Question put and a division taken with the following result —

Ayes (32)

Mr P. Abetz	Ms M.J. Davies	Mr C.D. Hatton	Dr M.D. Nahan
Mr F.A. Alban	Mr J.H.D. Day	Mr A.P. Jacob	Mr D.C. Nalder
Mr C.J. Barnett	Ms W.M. Duncan	Dr G.G. Jacobs	Mr J. Norberger
Mr I.C. Blayney	Ms E. Evangel	Mr R.F. Johnson	Mr D.T. Redman
Mr I.M. Britza	Mr J.M. Francis	Mr R.S. Love	Mr A.J. Simpson
Mr T.R. Buswell	Mrs G.J. Godfrey	Mr W.R. Marmion	Mr M.H. Taylor
Mr G.M. Castrilli	Mr B.J. Grylls	Mr P.T. Miles	Mr T.K. Waldron
Mr M.J. Cowper	Dr K.D. Hames	Mr N.W. Morton	Mr J.E. McGrath *(Teller)*

Noes (17)

Ms L.L. Baker	Mr D.J. Kelly	Mr J.R. Quigley	Mr P.B. Watson
Mr R.H. Cook	Mr F.M. Logan	Ms M.M. Quirk	Mr D.A. Templeman *(Teller)*
Ms J. Farrer	Mr M. McGowan	Mrs M.H. Roberts	
Ms J.M. Freeman	Mr M.P. Murray	Mr C.J. Tallentire	
Mr W.J. Johnston	Mr P. Papalia	Mr P.C. Tinley	

Pairs

Ms A.R. Mitchell	Mr B.S. Wyatt
Mrs L.M. Harvey	Dr A.D. Buti
Mr S.K. L'Estrange	Ms S.F. McGurk
Mr A. Krsticevic	Ms R. Saffioti

Question thus passed.

Bill read a second time.

Leave denied to proceed forthwith to third reading.

Discharge of Order and Referral to Economics and Industry Standing Committee — Motion

MR W.J. JOHNSTON (Cannington) [3.00 pm] — without notice: I move —

> That the Electricity Corporations Amendment Bill 2013 be referred to the Economics and Industry Standing Committee for consideration and report to the house by 5 December 2013.

Yesterday in this chamber we moved a very unusual motion to have a second reading amendment. I understand it is many, many years in the Assembly since such an amendment was moved. That second reading amendment requested that the government table the business case, including all the costs and the savings expected from this bill. It is ridiculous that a government would put together a billion dollars' worth of government assets and not have a plan about the effect of that decision.

We heard in the minister's response to the second reading debate earlier today that we will not know what the benefits of this proposal will be until after the bill is passed by the Parliament. We also heard an outlandish allegation by the minister, who said he would table a document that proved his claim that $154 million had been spent on the previous market reforms arising in 2006. This is an example of why we need an inquiry.

It is interesting to look at the document that was tabled by minister, which reads, in part —

- actual and committed expenditure as at 29 February 2004 is $5.2 million.

That is what it said. In fact, the number "154" does not appear in this document on any piece of paper. It also says —

- an implementation budget of $22.3 million. This portion was allocated through a direct budget appropriation to the Office of Energy (Electricity Reform Implementation Unit);

We are still in the dark about so many of the claims the minister makes about his decision to move to a merger. That is why we need to have an investigation.

Today in question time, the Premier tabled a letter. Last night—again we do not have the final *Hansard* so we cannot quote from the uncorrected copy, so this is according to my own note—the Premier said, "You need to put the two entities back together." That is what the Premier said was contained in a letter from Verve Energy and Synergy.

I will again look at why we need an inquiry. This letter also states —

> We have also taken the opportunity to brief both Boards on this discussion, and confirm that the Boards are willing to co-operate with the Government and would welcome the opportunity to research, design and implement a merged entity, should the Government choose to proceed with the merger.
>
> At this stage however, the Government's key objectives for the proposed merger are not entirely clear to us. In this regard, the Government will appreciate that the changes made to the electricity industry in the past ten years have not been well managed and have not been a success.

The Premier quoted from a very small piece of that letter. The letter continues—

> Consequently, the Corporations are keen to avoid being involved in what might turn out to be a less than satisfactory process or outcome, and to this end we suggest that the Corporations undertake a conventional due diligence exercise before a decision is made to proceed.

We now find, in fact, that the government is doing exactly what it was told not to do. No wonder the Premier has taken 18 months to table this letter. He would have died of embarrassment if it had been tabled before the second reading debate, because it would have shown up the total hypocrisy that we are being asked to deal with here. This letter asks for the business case to be prepared in advance of a merger proposal. This letter does not say, "Do it and work it out afterwards!" The Premier has kept this letter secret from the people of Western Australia because it makes clear that his approach to the electricity system is rejected by Verve and Synergy. We also know, which is why we should give the committee the opportunity to investigate, that no-one in Verve or Synergy knew about the announcement when it was made in April this year. We know that because we have made a freedom of information application and we have received the response back. Do members know how many documents were in Verve regarding the merger up to 10 April? There were none! Not a single document existed at Verve regarding the merger before or after the announcement. At Synergy, the only documents we discovered were the documents reacting to the Premier's announcement. That is the planning that went on! It was a complete repudiation of the request from the two chairmen of those companies. The two chairmen said not to do what the government has now done. The Electricity Corporations Amendment Bill 2013 that we are debating in this chamber today is a repudiation of the letter sent to the Premier 18 months ago. The Premier did exactly what he was told not to do by these two chairmen, who said "Do not do this!" This letter was a red-light moment for the Premier. What did the Premier do? He went the wrong way. It is not as though this letter was written in some isolated room in a bunker and the two chairs of these boards were not aware of what was occurring at the time. For years the Premier had been speculating on the need for a merger of the two entities. It would be interesting to take this further, and it is one of the issues that could be investigated by the Economics and Industry Standing Committee, which has a fine chairman, I must say. One of the things that committee could investigate is what was happening at the time the letter was sent. The idea that this is somehow an unsolicited letter does not appear to be correct. It would appear that this is actually a letter in response to the speculation that had been going on in the media at the time. Clearly, there should be an opportunity for us to have a look at that.

The attachments to this letter are extraordinary. Under paragraph 1, "Objectives", the attachment reads —

> However, it was agreed that it would be helpful for the Government to articulate its objectives.

That would be nice! Everybody in Western Australia would like to know what the government is trying to achieve. We have had a 14-page second reading speech by the minister and 45 minutes in reply to the second reading debate, and we still do not know what the failure standards are. What is the government's objective here? The government likes to throw around great comments, but it will not say what it is it is trying to achieve.

The attachment to this letter also confirms why we need to have an inquiry before there is such a major change to the market. I note that on 17 March 2012, *The West Australian* carried a front-page story about the proposal to merge Verve and Synergy. That was 13 days before this letter. The letter was not written in a vacuum nor, as the Premier said, was it unsolicited. I am not saying that the Premier wrote to the two chairmen and asked them to reply to him. I am saying that it is not a surprise that these two chairmen, particularly Mr Eiszele, who had had long-term opposition to market reform, would over a couple of weeks put together a proposal to send back to the government about holding an inquiry and setting up procedures to build an outcome. But that is not what the government did.

Mr C.J. Barnett: We made decisions.

Mr W.J. JOHNSTON: The Premier interjects, "We made decisions"—yes, another bad decision. This is a Premier with a litany of failures when he was the Minister for State Development and now as Premier—failure after failure after failure. We will get to that when we get to the Gorgon bill, in which his failures as the leader of this state are so clearly demonstrated.

I will quote quite extensively from an opinion piece by Gareth Parker in today's *The West Australian*. Gareth Parker seems to be the principal journalist interested in the future of a $1 billion government investment. Peter Kerr, when he worked at *The West Australian* and *The Australian Financial Review*, was another. Gareth Parker wrote —

> The Electricity Corporations Amendment Bill will pass the Legislative Assembly in coming days, and it will pass the Legislative Council in the weeks to come.
>
> It really should not. At least, it shouldn't based on the scant evidence in support of the Bill so far provided to the Parliament.

The article continues —

> The path to disaggregation was long and complex. The public debate and stakeholder consultations took five years and the degree of published analysis and modelling of the changes was unprecedented. The process was transparent; the outcome was far from perfect.

Far from perfect—nobody is stupid enough to think that microeconomic reform is not a journey. I cannot imagine that there is a person in the world who would think —

Dr M.D. Nahan interjected.

Point of Order

Mr W.J. JOHNSTON: The minister is not in his chair, he cannot speak.

The ACTING SPEAKER (Mr I.C. Blayney): I just checked and the minister can speak.

Debate Resumed

Mr W.J. JOHNSTON: Gareth Parker refers to the criticism of the process and states —

> Some of these were undeniably consequences of mistakes Labor made in designing the split of Western Power. Others were completely unrelated to this and would have occurred whatever the corporate structure of the State's electricity assets.

Again, this is something that the committee should look at. Later in the article, in reference to the Oates review, Gareth Parker states —

> Those findings were complicated—like everything in this industry sector—but the essence was this. Keeping Verve and Synergy separate would—with appropriate improvements to the market rules—support the emergence of competition in the retail and wholesale energy markets and reduce the taxpayers' exposure to the expensive exercise of building new power plants.

That is what the Oates review said in 2009. It was paid for by this government. There is not a single piece of paper in Western Australia that supports what the government is doing, and that is what needs to be inquired into. It is a disgrace that this government would put the people of this state through all this expense without a plan or a business case. The Premier likes to boast, "I make decisions." The Premier makes bad decision after bad decision. That is why we lost the AAA credit rating, why we are in the mess that we in are today and why

the government is cutting expenditure in education. All these things could be investigated by the Economics and Industry Standing Committee.

I am criticised by the government, and I welcome it, because it is part of the democratic process. I have never once objected to it. On 18 February 2013, *The West Australian* quoted me as having said —

> "Verve will not be in the business of building new power stations and if you want to see why the Labor Party doesn't want to do that you don't have to look any further than Muja A and B," he said. It would also commission the Public Utilities Office to investigate a pathway for further energy market reform.

That is the proper approach. It is not surprising that in his second reading reply, the minister said that he intends to commission a further review of the market by the Public Utilities Office. The minister has adopted the Labor Party's position on preventing Verve building new power stations—he said that on the record in this chamber—and now he has also adopted the Labor Party position on a further review of the market.

What I do not understand, and this could be investigated by the Economics and Industry Standing Committee, is this very simple issue: the minister says that the market is a mess. The Premier has talked a number of times in this chamber about the problems with the Independent Market Operator and problems with capacity credits and demand-side management, yet not one word of this bill deals with the market.

Dr M.D. Nahan: It is not meant to.

Mr W.J. JOHNSTON: If it is not meant to, minister, why raise it in the debate on this legislation? If the minister is saying that this has nothing to do with the market, why does he come in here every day—11 out of the 14 pages in the second reading speech dealt with the market—and use the market as the justification for what we are doing today? This does not make sense. The Economics and Industry Standing Committee is ideally placed to dig down and get to the bottom of these things. The minister cannot go ahead and simply put together legislation like this with no process to do it. I am not the only one who says that. I am also the shadow minister responsible for the Barrow Island Amendment Bill 2013. I have been looking at it recently, and it is interesting. I will quote *Hansard* from 16 October 2003 when the Premier in his capacity as Leader of the Opposition said —

> The minister claims it is an open and transparent process. Lots of reports have been prepared, and there will be a lot more reports about Gorgon before any construction takes place. I remind the minister that in this House he is just one of 57 members. While he is in this House, he is no more important than any other member. The Bill has now come before the Parliament, which is where the minister is subjected to scrutiny on this legislation. That scrutiny does not occur earlier. It does not happen through public consultation, letters to the editor or questions without notice. The minister is accountable when the Bill comes to this place.

I agree with the Premier's statement. I am not a hypocrite. I support the referral of this bill to the Economics and Industry Standing Committee because we know that there has been no proper process to lead us to this place.

The opposition criticised the government's proposal to have most of the effects of this legislation included in subsidiary regulations. The Minister for Energy quoted, I think it was, 160 days for the IMO's regulations arising from market reforms in 2006. I make the point that—this is fundamental—when that legislation passed, it proposed the process by which the regulations would be created. The idea that the government just went away and wrote the regulations without input from others is wrong. The government has had plenty of opportunities to explain to us how these regulations will be put together, but has deliberately refused to do so. Again, the Economics and Industry Standing Committee is the ideal vehicle to do that investigation so that the people of Western Australia, for the first time in this process, can have some confidence that the legislation will be properly looked at and that their interests and the broader interests of the Western Australian economy will be protected. Until now that has not happened. We know that it has not happened because the chairmen of Verve and Synergy wrote to the Premier and said, "Don't do this. Don't introduce legislation without having a proper process to look at it first." That is what they asked for. They did not ask to come together. They said that if the government is going to staple us together, only do it at the end of a proper process.

The Premier ignored that written advice of the requests of those two companies, and rejected what they wanted because he does not care about what anybody else wants. We have made this point a number of times in this debate. This is not about the Minister for Energy; this is not about the Public Utilities Office; this is not even about Verve and Synergy; and this is not about the Chamber of Commerce and Industry of Western Australia or anybody else. This is just about the Premier. He is the only one who wants to proceed this way. In his reply to the second reading debate, the minister wanted to make light of the involvement of Eric Ripper. He wanted to make light of him by saying that Eric Ripper would have supported the legislation that the minister has brought to this place. I just make the point that Eric Ripper said —

> The basic flaw is to ascribe everything negative that's happened in the electricity system and all the cost increases to the market reform and indeed to one aspect only of that reform—the split of Synergy and Verve.
>
> Here are some other things have happened:
>
> five years of poor management of the energy portfolio by the Barnett government …

I agree with Hon Eric Ripper. He got it right. The biggest problem we have here and the reason we are in this mess is that the government cannot manage the electricity system. The minister said—this is again a matter that could be investigated by the Economics and Industry Standing Committee—that there is a $388 million subsidy and that subsidy will increase. What will the minister do? How will that subsidy be reduced? Will that subsidy just be allowed to increase forever? What is the government's plan? It cannot tell us what the problems are and then not tell us what the solutions are. This is the government; it is not a commentator. It is not writing opinion pieces; it is running the state of Western Australia. As I said, I welcome the minister's announcement of a systemic review, but it is a pity that the systemic review was not included in the strategic energy initiative, which we thought would have looked at some of the systemic issues in the energy system in Western Australia. The government spent three years working on the strategic energy initiative and not a single word of that energy initiative has been referred to by the minister in supporting legislation before us today. What was that all about? What was all that money for? There were flights to Esperance and consultations were held around the whole state. It was a great process and I welcomed it, but, unfortunately, it did not result in anything. Why should we trust the government, it having failed to do its job in the energy sector for all that time, to now bring this bill into the house, which does not deal with any of the issues raised by the minister's second reading speech? That is one of the things we need to get to the bottom of.

I also come back to this: the minister says that the market is so bad that he will keep it; the market is such a failure that he will not change it; and the market is so broken that he will do nothing about it. The minister is effectively saying that the Electricity Corporations Amendment Bill 2013 is not about fixing the problems of the energy system, because he said that it was never intended to fix the market problems. What was it intended to do? It does not respond to the demands of Verve; it does not respond to the demands of Synergy; it does not respond to the needs of the community; and it does not respond to problems that the minister says exist in the market. What does the bill respond to? We know what it responds to: the Premier's fixation. Mr Parker from *The West Australian* gets it right: we will all be derelict in our duty if we let this legislation go through without a proper process. The government wants to continue down this path of saying not to worry and that it will fix it all up later. It does not want to be judged for saying in advance what the bill will achieve before it is passed, because that would be called accountability and the government does not like that. The government will just plough on and do whatever it wants because it has the numbers and it won a big election victory, which means that even though it did not tell people it would introduce this legislation, it will do so anyway. This is appalling and everybody in this chamber knows it. No wonder the Premier was so embarrassed that he held this letter back for 18 months and hid it.

This letter is a damning indictment. He hid it in his back pocket for 18 months and he quoted selectively from it. An example is the figure of seven per cent for the Independent Market Operator. He kept the letter secret because it rejects his opinion. This document shows that the Premier was wrong from the start. There are two issues. Firstly, this document is not a request to amalgamate Verve and Synergy, which is exactly what the Premier said it was to the member for Willagee last night by interjection. That is what he said last night and that is not true. I cannot remember his weasel words at question time today. He said they were not the exact words or that it was not the exact meaning of the letter.

Mr C.J. Barnett: A letter from 12 months ago; goodness!

Mr W.J. JOHNSTON: Why did the Premier refer to it last night in debate?

Mr C.J. Barnett: Because you were saying no-one supported this and there is a letter from Verve and Synergy saying the big advantages in it.

Mr W.J. JOHNSTON: It does not say that at all. I have read the letter; it does not say that at all. What a load of rubbish. That is the problem with the Premier: there is always this question about what he says and the truth. I am pointing out the difference. The first thing is that this letter does not ask to amalgamate Verve and Synergy. The second thing is that it does not say that the government should proceed down the path it has taken. This letter says, "Hold an inquiry. Do the work. Don't just be lazy; get off your backsides and do the hard yards." This is what this motion proposes to do. It asks the Economics and Industry Standing Committee to do the work the government has failed to do. We can go back to the period from 2003 to 2006, and we can even go back to

2001. I remember what our election commitment in 2001 was. It was not to disaggregate Western Power. We said that we thought the disaggregation of Western Power was a good idea because that is what the business community said to us, but we would set up a process to come up with a solution. As I said recently, I do not think it is a weakness to listen to others. I am not the font of all knowledge. I do not come into this place and say, "Don't worry about every single other person involved in the energy sector. Do what I have asked you to do because I have asked you to do it." I never do that; only one person does that, and that is the Premier. That is not good enough and that is why the Economics and Industry Standing Committee has a duty to investigate this before we vote on this bill in a final way.

Question to be Put

MR C.J. BARNETT (Cottesloe — Premier) [3.27 pm]: I move —

That the question be now put.

Division

Question put and a division taken, the Acting Speaker (Mr I.C. Blayney) casting his vote with the ayes, with the following result —

Ayes (32)

Mr P. Abetz	Ms M.J. Davies	Mr C.D. Hatton	Mr N.W. Morton
Mr F.A. Alban	Mr J.H.D. Day	Mr A.P. Jacob	Dr M.D. Nahan
Mr C.J. Barnett	Ms W.M. Duncan	Dr G.G. Jacobs	Mr D.C. Nalder
Mr I.C. Blayney	Ms E. Evangel	Mr R.F. Johnson	Mr J. Norberger
Mr I.M. Britza	Mr J.M. Francis	Mr S.K. L'Estrange	Mr A.J. Simpson
Mr T.R. Buswell	Mrs G.J. Godfrey	Mr R.S. Love	Mr M.H. Taylor
Mr G.M. Castrilli	Mr B.J. Grylls	Mr W.R. Marmion	Mr T.K. Waldron
Mr M.J. Cowper	Dr K.D. Hames	Mr P.T. Miles	Mr J.E. McGrath *(Teller)*

Noes (15)

Ms L.L. Baker	Mr W.J. Johnston	Mr M.P. Murray	Mr C.J. Tallentire
Mr R.H. Cook	Mr D.J. Kelly	Mr P. Papalia	Mr P.C. Tinley
Ms J. Farrer	Mr F.M. Logan	Mr J.R. Quigley	Mr D.A. Templeman *(Teller)*
Ms J.M. Freeman	Mr M. McGowan	Mrs M.H. Roberts	

Pairs

Ms A.R. Mitchell	Mr B.S. Wyatt
Mrs L.M. Harvey	Dr A.D. Buti
Mr A. Krsticevic	Ms R. Saffioti
Mr D.T. Redman	Ms S.F. McGurk

Question thus passed.

Motion Resumed

The ACTING SPEAKER (Mr I.C. Blayney): The question now is that the motion of the member for Cannington be agreed to.

Division

Question put and a division taken, the Acting Speaker (Mr I.C. Blayney) casting his vote with the noes, with the following result —

Ayes (16)

Ms L.L. Baker	Mr W.J. Johnston	Mr M.P. Murray	Mrs M.H. Roberts
Mr R.H. Cook	Mr D.J. Kelly	Mr P. Papalia	Mr C.J. Tallentire
Ms J. Farrer	Mr F.M. Logan	Mr J.R. Quigley	Mr P.C. Tinley
Ms J.M. Freeman	Mr M. McGowan	Ms M.M. Quirk	Mr D.A. Templeman *(Teller)*

Noes (32)

Mr P. Abetz	Ms M.J. Davies	Mr C.D. Hatton	Mr N.W. Morton
Mr F.A. Alban	Mr J.H.D. Day	Mr A.P. Jacob	Dr M.D. Nahan
Mr C.J. Barnett	Ms W.M. Duncan	Dr G.G. Jacobs	Mr D.C. Nalder
Mr I.C. Blayney	Ms E. Evangel	Mr R.F. Johnson	Mr J. Norberger
Mr I.M. Britza	Mr J.M. Francis	Mr S.K. L'Estrange	Mr A.J. Simpson
Mr T.R. Buswell	Mrs G.J. Godfrey	Mr R.S. Love	Mr M.H. Taylor
Mr G.M. Castrilli	Mr B.J. Grylls	Mr W.R. Marmion	Mr T.K. Waldron
Mr M.J. Cowper	Dr K.D. Hames	Mr P.T. Miles	Mr J.E. McGrath *(Teller)*

Pairs

Mr B.S. Wyatt	Ms A.R. Mitchell
Dr A.D. Buti	Mrs L.M. Harvey
Ms R. Saffioti	Mr A. Krsticevic
Ms S.F. McGurk	Mr D.T. Redman

Question thus negatived.

Consideration in Detail

Clauses 1 to 5 put and passed.

Clause 6: Section 4 amended —

Mr W.J. JOHNSTON: I am just wondering why proposed subsection (2A) will be inserted. Is this a standard drafting arrangement? I am working from three documents. Given that this is an action to establish the body corporate following the introduction of the action, should it be listed as a proposed paragraph of section 4(1) of the act, not as an independent proposed subsection? Why is it not part of subsection (1)? Proposed subsection (2A) reads —

> From the time at which the *Electricity Corporations Amendment Act 2013* section 6 comes into operation, the corporate name of the body established by subsection (1)(a) is the Electricity Generation and Retail Corporation.

Why not just delete the current wording of subsection (1)(a) and insert "Electricity Generation and Retail Corporation"? Why have this reference? Why not amend it directly, rather than by inserting another subsection?

Dr M.D. NAHAN: It is a timing issue. Clause 6 will come into effect on proclamation rather than on royal assent.

Mr W.J. JOHNSTON: Yes, but there could be provision for that. There is a detailed arrangement under clause 2. That fact could be included in clause 2 so that it came into operation at the appropriate moment. There does not seem to be any reason that a new subsection is needed under section 4; the words could simply have been inserted in a new paragraph in clause 2 that section 6 will come into effect on this date. It would then all just line up.

Dr M.D. NAHAN: The act will come into effect upon royal assent in a month or so and the merger will take place on 1 January on proclamation. It has been done in this way because the act will receive assent in December, let us say, but the merger will only take place on 1 January.

Mr W.J. Johnston: That could be specified in the commencement clause; if it were, proposed subsection (2A) would not be needed.

Dr M.D. NAHAN: It is just in case it takes longer.

Clause put and passed.

Clause 7: Section 5 amended —

Mr W.J. JOHNSTON: I have read the explanatory memorandum and I understand the purpose of this amendment, which is so that the corporation is to be regarded as an agent of the state in respect of commonwealth laws, but not in respect of state laws. I will get to that issue, which is the principal issue, but I will first raise a question of drafting. Section 5 currently states —

A corporation is not an agent of the State …

With the passage of this bill, the words will be —

… a corporation is to be regarded as not being …

Why is it that, at the moment, it is not an agent of the state, but after the passage of this bill it is to be regarded as not being an agent of the state? It is an unusual decision to change it from not being an agent of the state to being regarded as not. It is not the same thing. That means that it will still be an agent of the state but it is not to be regarded as such.

Dr M.D. NAHAN: This was the advice of the State Solicitor's Office to ensure that this was not treated as a merger under the commonwealth. This is the methodology that the SSO told us to use.

Mr W.J. JOHNSTON: I will talk about that question in a second, but that is not the question I am raising. Under this amendment, this is to be regarded as not being that. Why not just say that this is not that, which is what it says at the moment? Section 5 states —

A corporation is not an agent of the State …

It could say that, for the purposes of any law of the state, a corporation is not an agent of the state—that would achieve what the government is trying to do, which is the Australian Competition and Consumer Commission thing that I will talk about in a second. I am referring to the notion of using plain English; this is not plain English. Part of what we are supposed to do is to make things simple. This is saying that a corporation is an agent of the state, but notwithstanding that it is an agent of the state, it is not to be regarded as one. The act currently says that it is not an agent of the state. Surely that is a much easier construction of the language. Why not go to the simple construction of the language rather than adding in this complexity?

Dr M.D. NAHAN: My experience is that lawyers often do not use plain English. The member said, as I understand it, that this clause will delete the words "A corporation is not" and will insert "a corporation is to be regarded as not being". I think it is trying to send a message that it is not and should not be regarded as such.

Mr F.M. LOGAN: That may well be the minister's view, but I will just take him back to what he said earlier. The minister indicated to the house that he or the drafters had received SSO advice that the act was to be reworded, as proposed in clause 7, because of its relationship to commonwealth legislation. What was that relationship? Why would that relationship require the minister to take out a provision written in plain English, which makes it absolutely clear that the corporation is not an agent of the state, and change it to "be regarded as not being" an agent of the state?

Dr M.D. NAHAN: The purpose of this amendment is to ensure that the corporation comes under state statute rather than commonwealth.

Mr F.M. LOGAN: I do not yet understand the minister's answer. Clearly, the fact that this bill is before this house and we are discussing it today identifies it as a state statute. It cannot be identified as anything other than a state statute on the basis that it is an existing state statute. The question I asked was: what was the SSO advice to the minister or the drafters about the relationship between the need to reword this section and commonwealth legislation? We obviously know that it is a state statute—it is before the Legislative Assembly of Western Australia. That was not the question I asked. I asked what advice the minister received from the SSO about its relationship to commonwealth legislation.

Dr M.D. NAHAN: The advice given to us was that it deals with the merger transaction, that the bringing together of Synergy and Verve is under state statute rather than commonwealth. That is the way the State Solicitor has said it is met. The wording is derived from the recommendation of the State Solicitor. That is the best way to put that into effect.

Mr F.M. LOGAN: I certainly accept what the minister has put forward, but this act could not be amended in the commonwealth Parliament. That is obvious. The merger of Verve and Synergy can only be done through state statute. It cannot be done through commonwealth legislation nor can any commonwealth legislation have an impact on that merger unless the minister specifically says it can. I cannot believe that the State Solicitor's Office advice, as the minister says, requires the rewording of this clause simply to identify this piece of legislation as state and not commonwealth legislation, or that the obligation to merge the two entities into the one corporation can be done only by state legislation, rather than commonwealth legislation, because it is plainly obvious that it cannot be done by commonwealth legislation. Can the minister dig down with his advisers and provide more detail on why the SSO provided this advice? I would also like to know whether there is a possible impact on the recognition of the new corporation as an entity because it is now only "regarded" as not being an agent of the state, as opposed to not being an agent of the state.

Dr M.D. NAHAN: My advice is that the commonwealth, particularly the Australian Competition and Consumer Commission, has wide-ranging powers over mergers from a range of agencies, and this legislation is all about the action of bringing together the two businesses and clarifying that under state laws; therefore, they will not be under the ACCC jurisdiction.

Mr W.J. JOHNSTON: Mr Oates and I had a quick conversation about this the other day and it is my understanding that the Australian Competition and Consumer Commission cannot be involved because the ownership is not changing even though the two entities are merging. It is well known in commercial case law, as well as others, that if the ownership is not changing, then the merger provisions do not count. I have two questions. Firstly, Mr Oates was good enough to tell me that the minister or the Public Utilities Office had recently received a letter from the ACCC. Can the minister tell us what that was all about? Secondly, is the use of the words "law of the state" rather than "state law" intended to exclude the common law or is that not the intention?

Dr M.D. NAHAN: Firstly, we have had a number of communications from the ACCC from the start. We had meetings with them, both Mr Oates and others. We had a communication with them in July, met with them, and put forward a proposal on what we intended to do. We have not heard from them for a number of months. We have written to them and had a response two weeks ago. We have responded to that request.

Mr W.J. JOHNSTON: There was a second question, but we can come back to that. What was in the letter from the ACCC? Will the minister table the letter? It should be available under freedom of information provisions, but would the minister make it available to us or tell us what it concerned?

Dr M.D. NAHAN: We received a letter from Rod Simms, who is chairman of the ACCC. He said that he was going to make a comment on it. We have had correspondence with him on the merger and provided him more than he requested. On receipt of that information he decided not to make comment. He had not received a briefing on this and was going to wait to comment until we had received the information. That was two weeks ago. We have not heard back from him since.

Mr W.J. Johnston: The other question is about excluding the common law.

Dr M.D. NAHAN: No, that is included. As the member for Cannington knows, state law also incorporates common law.

Mr W.J. JOHNSTON: This is the last time I will rise. I am not sure whether my colleague has another question on this clause. I make the point that these words could be easier if they stated something like "for the purposes of any state law, a corporation is not an agent of the state and does not have the status, immunities and privileges of the state." That would be plain English, and plain English is what we are supposed to be doing. I understand what the minister says about advice from lawyers; I got my advice from a soon-to-be lawyer. But it is the duty of the Parliament to use common language, and that would make it clear. It must say that X is not to be thought to be Y, which is what we are saying: that this is not the way it should be, but that this is what it is or this is what it is not. I understand why the government seeks to remove any doubt that the ACCC does not have power in this regard. People have told me that it is arguable that it would not matter, it still would not be subject to the ACCC, but I understand why the government is trying to put that beyond doubt. I know what the government is trying to do. The reason the government is doing this is the very reason that there should be an inquiry, because if the ACCC looked at this, it would reject it. The fact that the ACCC would reject it, because it is going to allow a 500 pound gorilla—which is what the ACCC is trying to prevent—leads one to think that the government knows that it is doing something it should not be doing. With those comments, I will not rise again on this clause.

Clause put and passed.

Clause 8: Section 8 amended —

Mr W.J. JOHNSTON: The first issue I will raise with the minister is the decision to increase the number of directors from six to eight. As I understand it, one of the big criticisms that has been made over and over again by the Premier is that when we split up Western Power, we created four boards with four sets of directors, and it was a terrible decision because all those people were paid as board members. The way I look at it, it goes like this: on my maths—I can be corrected—four times six is 24; and now, with what we are doing, three times eight is 24. It appears that we will have exactly the same number of directors of the three companies as we used to have of the four companies. When we peer through the fog to try to find a reason to do what the government is proposing to do, one would think that the number of board directors would remain the same. I just wonder what the purpose of going from six directors to eight directors is.

Dr M.D. NAHAN: It is an option. Just to clarify at least my position on this, I am not so critical of the fact that when the former government went from one agency with one board to four that it necessarily led to an increase in the number of directors. That was logical. That was a necessary administrative cost of the disaggregation. If

there were other gains offsetting it, there is no problem. That is my view. What we are doing here is creating an option, not a necessity. Right now I have no intention to increase the boards of Western Power or Horizon Power, but we will consider doing it for the combined entity, Synergy and Verve Energy.

Mr W.J. JOHNSTON: As the minister knows, I am a former union official, and union officials are practical people because they have to be because they get elected; and when people get elected, they always look to their constituency. I was taught when I was negotiating enterprise bargaining agreements that if an employer asks for something and says, "We want this in the agreement but we're not going to use it", we knew to say, "But if you're not going to use it, don't put it in, because if you don't want it, you can't have it."

Dr M.D. Nahan: But we want it for one and not for the rest.

Mr W.J. JOHNSTON: Why does the bill not say that? That is the problem, minister. What the minister is doing here is asking for something that he says he does not want. Just like the situation with the employers, I will bet that it will be used. If the minister does not pass the amendment, it will not happen; so if he does not want it to happen, he should not propose the amendment. If he says that he wants it only for the merged Synergy, he should say that in the bill, because that is not what the bill says. Rule number one: "Don't ask for what you don't want."

Mr F.M. LOGAN: The minister has indicated that this simple change to section 8(1) of the act provides the minister with an option. An option is there at the moment. The option was between four and six people. All he is doing is changing the option to increase the number of directors who are appointed. He certainly has not introduced an option; he has just increased the number of nominations that can be made under the existing option. Will the fees for both the chair and the directors of the new merged entity be higher, lower or the same as they are under the current entities?

Dr M.D. NAHAN: As the member knows, we had two boards—Synergy and Verve. They now cooperate. When they came together, there was no change in fees, and we have no intention of changing the fees once they become a common board on 1 January.

Mr F.M. LOGAN: Is the minister providing a guarantee to this house that the directors' fees and the chairperson's fees of the new merged entity will not change?

Dr M.D. Nahan: Upon 1 January?

Mr F.M. LOGAN: Upon 1 January. And for how long will that be? I can assure the minister that within a very short time, given that the new merged entity will be a much larger entity in terms of capital, resources and employees than the previous two separate entities, obviously, the chair of the new merged entity will approach the minister, seeking market remuneration for the directors of the new merged entity and for his fee structure as well. For the rest of the term of this government, if the minister is approached by the chairperson for an increase in the directors' fees, what will be the minister's response? Will he agree or disagree?

The ACTING SPEAKER (Mr I.C. Blayney): Minister, before you answer, could I ask people to speak a little more loudly. We are having trouble picking up the sound.

Dr M.D. NAHAN: The point the member makes is a good one in that the workload of the directors of the combined entity will be larger. It will be a bigger organisation with more staff, and there will be more complications to it. They are not highly paid. A director gets $50 000, plus superannuation. There has not been an increase in the directors' fees since the government has come to power. But the member's point is right. I am sure the chairman, Mike Smith, will come to me and say that it is a bigger workload—there is no doubt about that—and we have to get the best people for these boards with the relevant skills. I can tell the member that upon merger, on 1 January 2014, the existing board will move over into a combined board with the same salaries and fees that they get right now. We have not made any decision about what will transpire over the next three years. I am not going to rule out any increase. We do not plan to increase the fees significantly, but I am not going to rule out marginal increases.

Mr P.C. TINLEY: If I can follow through on that one, minister, just in case I am confused—I had to be out of the chamber for the start of this debate—as at 1 January, the board will be established, and when that board is established, the remuneration will be exactly the same as it is currently, or is the minister saying that he will look at it and set it as at 1 January?

Dr M.D. NAHAN: On 1 January, the two current boards will come together as a common board. There will be no change in remuneration of the individual directors or chairmen at that time. We do have the provision for adding another one. They will be remunerated at the current level. When the boards come together on 1 January, there is no expectation to change the directors' fees. I might add that as they work on separate boards, they are doing a lot of work right now and have been intimately involved in the issues of the implementation, so their workload has been immense and a lot greater than it was when they were two separate corporations. But on

1 January they will come together as a senior board, and they will get the current remuneration levels. There will not be a change. The member for Cockburn asked me whether I guarantee that over the next three years, or the term of government, there will be no increases in remuneration to these boards. I am not going to say that. There might be some marginal change, but I will not rule that out altogether. But on 1 January the boards will come together under the current terms of the directors' fees.

Mr P.C. TINLEY: Has the minister received any indication from the two boards that they have all volunteered to go into the new entity? Has the minister locked in the directors?

Dr M.D. NAHAN: As the member knows, when we set up the two boards, there were major changes: three people came from Synergy, including the deputy chair and chair; one person came from Verve Energy; and two were new. They were brought in with the expectation there were two separate boards and they would go forward into the new board. Are they locked in? They can leave at any time, but that was their expectation when they came on board.

Mr P.C. Tinley: As far as the minister is concerned, and as far as they are able, they are committed.

Dr M.D. NAHAN: Yes; that was the condition coming in.

Mr P. PAPALIA: In the short time we have had to assess this bill, the minister has consistently claimed there are savings to be had as a consequence of the merger, simply by virtue of bringing the administrations together; is that correct? I am talking about the minister's comments across the chamber when he suggested there were savings to be had. I assumed that part of those savings would come from within the management and administration of the entities being merged, with some sort of contraction in the number of people involved. Is that not the case?

Dr M.D. NAHAN: I am not sure how that relates to clause 8. We are in consideration in detail.

Mr P. Papalia: We are talking about the board.

Dr M.D. NAHAN: I am responding to the member's question. We are in consideration in detail. The member asked me a question and I am trying to find out how it relates to clause 8.

Mr P. PAPALIA: I am referring to the number of directors. The minister has so far suggested that the number of board members will not be reduced and their remuneration will remain unchanged. Beyond this area of potential savings, are there any savings from merging the boards? I wonder where the savings are. We do not have the benefit of detailed documentation or analysis. The minister has confirmed there is no business case, so we cannot assess whether there are savings. We have to take the minister at his word that there will be savings, and already he has indicated he cannot guarantee that beyond 1 July there will not be increases in remuneration to the board of directors. That is already one area that could blow out and result in increased costs. I wonder how sure the minister is of his other claims and where the savings lie.

Dr M.D. NAHAN: To reiterate for the member, the two boards are sitting there now. The Synergy board is the same; it is the same group. The same chairman and deputy chairman are on the Synergy and Verve boards and they will come together. They will receive, on 1 January, the same remuneration they receive now. Basically, there was a new formation of the board on 1 July and that was the expectation they came in on. Will there be a reduction in costs of the board? No. However, the boards are not a great cost; it is in the management that the gains will be procured. We have not started any changes. There are still two operating units right now. There is a great deal of work underway on the structure and how it works, but we expect significant efficiencies in the upper to mid-management of the organisation.

Mr W.J. JOHNSTON: I would like to go on to a fresh issue; that is, the change to the appointment procedure. Why does the government not want the majority of Horizon Power's directors living outside the south west interconnected system? It would seem very strange that there is not sufficient talent living in regional Western Australia. Given that we have sufficient talent in regional Western Australia to run Horizon, why is it the government does not trust the people of the regions and is proposing to appoint board members who are resident in Perth, and does that not defeat the idea of having a separate entity with a board that recognises the peculiar issues that exist in far distant Western Australia?

Dr M.D. NAHAN: The regulations were put in there so that the majority of Horizon's board had to live outside the south west interconnected system region. They do now, and they will undoubtedly in the future. People put to me that a large number of people who know quite a bit about regional Western Australia happen to have a house or live and reside in Western Australia and may commute. We want the best talent for these boards, and precluding a good number of the board members from being able to do that did not seem wise. We need the best people—people who know the regions and the businesses of Horizon. That restriction was put in by some of my Liberal and National Party colleagues in the debate, and we decided it would be better to give some flexibility to

the government and the board to choose the best people who understand regional Western Australia and the demands of Horizon Power, and that might mean that a good number of them might not actually reside at all times in the region. There is some debate about where people live, too. Some people spend their time, for example, between Broome and Perth or Karratha and Perth, and some of the better people do not necessarily reside all the time in the region, but have significant businesses and activities there. Some of the major asset holders have businesses, let us say, in Esperance and Karratha and actually spend a lot of time in Perth or they live in Perth but they commute widely. We need to get the best people. The geographic location of where they reside is important, but it is not the overriding factor.

Mr W.J. JOHNSTON: I did not get the minister's exact words, but this idea that to get the best people with an understanding of the regions means the minister has to have people who live in Perth is a bit odd. The opposition is proud to support regional businesses. It is proud to support people who make the decision to live in the remote parts of Western Australia. The opposition recognises their talents and ability. The idea that someone has to have a house in Cottesloe to be a person of talent is a bit odd. It is actually a bit insulting. I will go back and read exactly what the minister said in *Hansard*, and it might end up in an ad in the Karratha and Port Hedland newspapers, and some other places. Minister, good and talented people live in the regions of Western Australia. The idea that the minister needs to come to Perth to find talented people to run Horizon is insulting. There is no other way to take what the minister has suggested. It is an insult to the people of the regions for the minister to stand and say he needs the most talented people and that means getting people who live in Cottesloe. That is ridiculous! It is interesting that the National Party is not represented in the chamber at present, and perhaps one of them is listening in their office. I am sure they are all very busy with parliamentary duties. I hope that one of them will run in here straightaway to put on the record the National Party's position on this issue. I cannot believe—sadly I can, because they talk the talk but they never walk the walk—that the National Party would think it is acceptable for the minister's position to be supported; that is, to get the best people for the Horizon board, he can only go to the CBD of Perth. That is ridiculous. The best people for Horizon live in their region.

We have always had the flexibility to allow for a particular governance gap or an issue of speciality or technical knowledge required; that is why flexibility was built into the original legislation to allow some board members not to live in the region. But, clearly, the best people to run Horizon Power live in the regions. That is why Horizon is focused on the regions. We will come to issues around the lack of focus that the government is proposing for Horizon later when we get to those provisions. Here we are talking only about the board and I am happy, on behalf of the Labor Party and with the full endorsement of caucus, to stand and say that we believe that the best people to run Horizon live in the area that the company services—that is, the far regions of Western Australia. If the National Party supports this provision, the contempt it shows will be extraordinary. I do not have the exact words of the minister; I did not take a note and I look forward to reading *Hansard*, but the idea that to get talented people to run Horizon Power, we have to come into the Perth central business district is, quite frankly, insulting.

Dr M.D. NAHAN: I make clear what we said. We are giving the option to the majority of the people on the board of Synergy to live outside the regions serviced by Horizon. It does not mean that they have to, and it does not in any way construe that we can only get good people in, to use the member's word, Cottesloe. It is not implied by that and it is not the intent. I expect that the majority of people who sit on the Horizon board will continue to be in the regions. It just provides flexibility for this government and future ones. It does not impinge at all on the statement about people living in the regions. I note that there are a large number of people who spend most of their time travelling around Western Australia who live in Perth but travel all around the place and know the regions very well.

Mr F.M. LOGAN: This provision was put into the original act not so we could look for board people only from the regions; it was to ensure that people appointed to the board understood issues in the regions. It was not that they actually lived in the regions. The chief executive officer was required to live in the regions, but the board members were not.

Dr M.D. Nahan: The majority of them were required to live in the regions.

Mr F.M. LOGAN: Yes, the majority of them, but not all of them—and they were required to live in the regions so that they could feed back to the board what it was like to be a customer of that organisation in the regions and a member of the community living in the regions. By getting rid of this requirement, the minister can, with consultation with the board, put anybody he likes in there. He can appoint directors from interstate. We had directors from interstate on Western Power, Verve and Synergy because of the type of skills they brought to the board. The minister can do the same with the new Horizon board as a result of this change.

Dr M.D. Nahan: I could anyway.

Mr F.M. LOGAN: The minister possibly could.

Dr M.D. Nahan: The majority had to live in the regions.

Mr F.M. LOGAN: That is right. The minister may have been able to appoint one or two people from interstate to that board, but now he can appoint people from interstate and from Perth and have nobody from the regions on the board. That can certainly be an outcome, and that is inappropriate.

Dr M.D. Nahan: It is.

Mr F.M. LOGAN: Then why is there not a continuation of the existing provision that requires, if not the majority, a proportion of the number of the directors on the board to live in the regions? Otherwise, a future minister, possibly the current minister or another, could change the whole composition of the board to have nobody on it with any relationship with regional Western Australia. He could have people from interstate and possibly overseas as directors.

Dr M.D. NAHAN: All board members of both Synergy and Verve are residents of Western Australia. I understand that in the past board members of Western Power, Synergy and Verve lived interstate. That could apply to Horizon now. Indeed, we might want someone who knows something about the regional power industry in Queensland—I have forgotten the name—because that is very similar to ours. That does not exist, though, and there is no plan to do that. The member is right: if a government or a minister appointed people to the board of Horizon Power who did not understand the regions and the customers, it would undermine the operation of that business. We have no intention of doing that. But we need to get the best people. Sometimes people do not understand that. For example, Horizon in various areas such as Karratha serves a lot of businesses, and the owners of some of the biggest businesses are residents of Perth. They know Horizon's demands and activities exceedingly well. This will just allow a little bit of flexibility. Again, we will ensure that the Horizon Power board knows the business of Horizon Power.

Mr F.M. LOGAN: Apart from the minister's assurance to this house, I cannot see anywhere in the bill where he has the capacity as the minister to ensure that people who are directors of the Horizon board have an understanding of power matters in the regions or even have a connection with issues in the regions. Apart from the minister's assurance to this house, there is nothing to ensure that that will take place. There is assurance now, in the wording, but the minister, as part of the removal of this subclause, is taking away that assurance. He is taking away the assurance that there will be people who have a full understanding of regional electricity issues on the board of Horizon. I will give an example. Some of Horizon's biggest customers are Aboriginal people. Peter Yu was a member of the Horizon board and a very good and active member.

Dr M.D. Nahan: He lives down here now.

Mr F.M. LOGAN: He may well do, but that is irrelevant. In his role as a member of the board of Horizon, he brought about significant changes to the way the electricity corporation related to Aboriginal communities, which had not been done by Western Power's regional operations in the past. Apart from connecting them, Western Power effectively ignored Aboriginal communities. There was a far better relationship between Horizon and Aboriginal communities—one that is still remembered quite fondly today by Aboriginal communities—because of the input of an Aboriginal director like Peter Yu. When Peter Yu was appointed, he was living in Broome. He has moved down here because of his children's schooling, but that is not the point—my point is that that was a clear example of the benefit of having a requirement that regional people sit on the board of an electricity corporation such as Horizon. It is a clear benefit.

As part of this change to the act the minister is removing the assurance that had been given to the people of regional Western Australia that they could and would be included in the decision making of their own regional electricity organisation.

Dr M.D. NAHAN: I have been told that Peter Yu was on the board; I was filled in on that. I do not know why Mr Yu has moved on to Perth, but he was a prime example. He has exceedingly great knowledge of his community and the Kimberley, as well as of a whole range of wider regions serviced by Horizon. He has lived in Broome for most of his life, but he travelled around a bit, I tell members. I heard he that was a great board member. Even if he was, I am not sure why he left; the member might know. He could still probably provide a great service to us living in Perth. We are just looking for a wide range of flexibility. I might add that there are sometimes difficulties with limited quotas of people from the regions. Just because someone lives in a region does not necessarily make them the best applicant for the board of Horizon. It helps, but I might add that Horizon's catchment area service is huge, and it is hard to get a person who knows that whole diverse area, from Aboriginal services in the Kimberley and Karratha down to Esperance, the wheatbelt and further over.

Nonetheless, if we want people who really know the diversity of the regions and the local services, we have to have someone from each one of the areas serviced by Horizon Power, and they are very different.

Mr F.M. Logan: That was the make-up of the previous board; it was from all over Western Australia.

Dr M.D. NAHAN: I have not changed the board of Horizon. This provision just seeks to get some flexibility; it does not say anything adverse about the people who live in the region making a contribution to Horizon Power. I set the argument that it is almost imperative that whoever is on the board of Horizon knows the regions serviced. Of course, we also want a diversity of not just local knowledge, but skill bases across Horizon Power—engineering, business and accounting.

Mr P. PAPALIA: The minister is tying himself in knots in an attempt to say that there is nothing wrong with the current structure of the board and that there is nothing wrong with the majority of board members being residents of the regions covered by Horizon. The minister has said there is a sufficient skill set and talent pool within the regions to fulfil the requirements and the number of board members. The minister has also said that there may be a need for someone living in the metropolitan area or the area covered by the south west interconnected system to serve on the board, and that is why he wants this provision. That is already the case in the current legislation—there is already that opportunity. I have not once heard the minister give an example of what is wrong with the legislation to justify a change from the requirement of the majority of board members being residents of regions in the Horizon supply area. Is there an example that the minister can provide to the Parliament and the people of Western Australia, particularly those serviced by Horizon, that justifies removing the requirement for a majority of board members to come from within that supply area? The minister has not given one yet. All he has done is try to avoid offending people, who I think should rightfully be offended, because there does not appear to be any justification for this change. There is no reason that a talented individual residing in the metropolitan area who can bring something to the board cannot be appointed. There is every reason that a majority of board members should reside within the regions serviced by Horizon because they are the ones with the most interest in the activities and outcomes of Horizon. They are the ones directly impacted and who have the greatest interest. That is a further reason for the legislation being structured in this way in the first place. In the absence of any business case justifying why the minister is doing what he is doing, other than because the Premier wants to do it, and in the absence of any justification for this clause, we have to recommend that the previous wording be reverted to, unless the minister has something to explain. I urge the minister to do so, with evidence, at the risk of offending people in the regions. If the minister suggests there are people on the board who are not up to the task because of where they reside, he should let us know. That does not appear to be the case; there does not appear to be any justification. The minister is asking us to undertake a change without any reason.

Mr P.C. TINLEY: I do not want to dwell on this too much longer. I refer to clause 8(1). I note the maximum number of members allowed on the board has gone from six to eight. Is that simply to provide the flexibility to add the other two members? That is the way I understand it.

Dr M.D. Nahan: Yes.

Mr P.C. TINLEY: I note the minister's affirmation on that. What would be the circumstances in which the minister required the addition of those extra two members to the board? Would it be the scope of the activity of the merged entity? Why would the number of board members not start at eight? Why has the minister now come to the conclusion that he needs to have those two board members up his sleeve?

Dr M.D. NAHAN: It was a request from the proposed chairman of the merged entity, Mike Smith. He suggested that occur after the merger. That is not the case now, because in the current situation Synergy and Verve are two separate organisations that share the same board, which, under the current act, is restricted to six members. They are both served by the same board. Mike Smith suggested the possibility of having up to eight board members if there were specific workloads. This may particularly be the case after the merger, as there will be a whole range of things that the board will have to set up, such as ring-fencing, overseeing the transfer pricing or overseeing the allocation of the generation. Those things will significantly increase the workload of the directors. He also suggested—although he has not given me anything tight—that we bring certain specific skill bases onto the board, for instance, someone who is an expert on ring-fencing and other things. It is not envisaged that if work is steady, the board will go beyond six members, but this clause gives flexibility to the government, and therefore the board, during certain periods to bring on two extra members—that is, to increase it from six to eight members. As I indicated before, who knows what will happen? Western Power might go through a major change, although none is envisaged at this time, or Horizon Power might go through a period of change and we might have to bring on a couple of extra board members to cover the load. The governance of these organisations is exceedingly important. We need the best people and we need a diversity of skills. This clause just gives that flexibility. To get back to the member's question, the idea originated from Mike Smith, the proposed chairman.

Mr P.C. TINLEY: I thank the minister. He might be perplexed about why we are spending so long on this particular clause, but the issue is about leadership, governance and oversight. If we cannot get this right, we will all agree that there will be all sorts of knock-on effects, issues and problems. We all know that governance of these government trading enterprises, for want of a better description, is sometimes fraught with difficulty, because the director of a GTE is unique. A GTE is not a fully commercialised publicly listed company with a whole bunch of stakeholders. Big institutions in the corporate sector provide those sorts of inputs and they obviously get to shape the board. We know the big institutions get to shape a board by using their rights under the constitution of those particular entities to nominate their own director. Clearly, that is vested with the minister, on advice from the board, as the relevant minister of the Crown. I understand that the approval process for any further directorships will be vested to the minister upon advice. However, the briefing highlighted a range of issues. Of course, we can only go on what we know, which was the brief kindly provided by the minister's office. I am operating in the absence of information here, but the minister said in answer to my previous question that the nature and circumstances under which he might contemplate new directors was based on different workloads and different scopes. My concern is that the minister has been working on this matter for—how long?

Dr M.D. Nahan: The board has been working on it since 1 July.

Mr P.C. TINLEY: It has been worked on by the relevant professional bodies since the middle of last year.

Dr M.D. Nahan: Yes, this year.

Mr P.C. TINLEY: Sorry, I beg your pardon, this year. Thank you. What concerns me is the pace at which this legislation has been drafted. In virtually six months we are contemplating a piece of legislation that will confer a whole bunch of resources as we staple these two organisations together. Yet, the minister is saying there are still unknowns. I am suggesting the minister is hedging his bets here. He is saying, "Look, we really don't know what we're getting into." We are sailing down an unknown path. I completely understand that in general circumstances nobody can actually know what all the pitfalls will be. I would have thought the make-up of the governance structure of this organisation would take into account all the different known skill sets . I make particular reference to the term "ring fencing" and the Chinese walls that will have to be built. Surely, all these things have been considered in nearly six months of contemplation. What else do we not know that has caused the minister to agree to the idea that we should have this fudge—this capacity?

I have two questions; firstly, what do we not know? Why have we not worked it out? Is it because we do not have a business case? Is it because we do not have a substantive body of knowledge about what the operation might or might not be like? Secondly, why does it have to be here in the body of the bill? Why could not the minister, by regulation, or even by amendment to the act, increase the size of the board? Why does the minister want that provision in the bill, because to me this smacks of uncertainty?

Dr M.D. NAHAN: We are dealing with this provision because there is a restriction in the current act; namely, six. If we want the option to change, we have to amend the act. That is why. The aim is 1 July. The board has been working hard; there is no doubt about that. The arrangements that will come into place under this act on 1 January have been worked on by a team of people, including the implementation team, and the people from Synergy, Verve and other places. Because the act is not in place, the board has not had to govern under this act yet. Mike Smith, Synergy's chairman, recommended that the government have the option; it might or might not be needed. No decision has been made. I thought it was a good idea and put it in the bill. The provision is there and if we want to change it, we cannot do so by regulation, given it is in the act.

Mr P.C. Tinley: But why not excise it?

Dr M.D. NAHAN: The act provides for a limit of six.

Mr P.C. Tinley: Correct. But why not excise the directors altogether and say, "The minister may appoint directors as he sees fit."

Dr M.D. NAHAN: We decided to limit it to just eight. Eight is more than enough. We do not want to have a conga team!

Mr W.J. JOHNSTON: The minister probably does not want policy zombies either! Our intention was always to deal with the next clause as well, but having been involved in the debate I will move an amendment. I move —

Page 4, line 15 to line 20 — To delete the words.

That amendment would keep the existing words in the act. The best people for the job are the best people for the job. The best people and board to run Horizon include the majority of people who live in Horizon's area of

responsibility. That is why they would be the best people for the job. I do not understand this idea that there are not talented people in the regions.

Several members interjected.

Mr W.J. JOHNSTON: Yes, I live in Cannington; that is why I would not be appointed to the board. I am not asking to be appointed to the board; that is my point. I am asking for a majority of the people on Horizon's board to live in their area of responsibility as they currently do.

Mr A.P. Jacob interjected.

Mr W.J. JOHNSTON: Every time the Minister for Environment makes a contribution to the public policy debate, he disappoints me more and more. The best way to avoid that is not to make any contribution. Let us face it: the minister's next contribution to the public policy debate in Western Australia will be his first contribution! Let us get back to what we are talking about. I think that the best people to run Horizon includes a majority of people who live in the area that is to be serviced by Horizon. It is pretty simple. We are giving nominees the opportunity, if they meet the requirements of this provision, to be appointed only after consultation by the minister with the board. I refer to the act. Again, if a nominee passes the provision, the following existing words will remain —

> In making nominations for appointment to the board of a corporation the Minister is to ensure that —
>
> (a) each nomination is made only after consultation with the board; and
>
> (b) in the case of an appointment to the board of the Regional Power Corporation, a nominee is a person ordinarily resident in a part of the State that is not served by the South West interconnected system so far as is necessary for the majority of the directors of the corporation, at the time of the appointment, to be persons so resident.

I reckon that means that the board of Horizon will be the best people for the job. I am happy for the minister to get up again and do whatever he wants. But if the minister wants to appoint the best people for the job, he will support this amendment. This amendment will ensure the best people for the job are appointed to the board of Horizon.

Question to be Put

Dr M.D. NAHAN: I move —

> That the question be now put.

Division

Question put and a division taken, the Acting Speaker (Ms L.L. Baker) casting her vote with the noes, with the following result —

Ayes (29)

Mr P. Abetz	Mr J.H.D. Day	Dr G.G. Jacobs	Mr J. Norberger
Mr F.A. Alban	Ms W.M. Duncan	Mr S.K. L'Estrange	Mr A.J. Simpson
Mr I.C. Blayney	Mr J.M. Francis	Mr R.S. Love	Mr M.H. Taylor
Mr I.M. Britza	Mrs G.J. Godfrey	Mr W.R. Marmion	Mr T.K. Waldron
Mr T.R. Buswell	Mr B.J. Grylls	Mr P.T. Miles	Mr J.E. McGrath *(Teller)*
Mr G.M. Castrilli	Dr K.D. Hames	Mr N.W. Morton	
Mr M.J. Cowper	Mr C.D. Hatton	Dr M.D. Nahan	
Ms M.J. Davies	Mr A.P. Jacob	Mr D.C. Nalder	

Noes (16)

Ms L.L. Baker	Mr W.J. Johnston	Mr M.P. Murray	Mr C.J. Tallentire
Mr R.H. Cook	Mr D.J. Kelly	Mr P. Papalia	Mr P.C. Tinley
Ms J. Farrer	Mr F.M. Logan	Mr J.R. Quigley	Mr P.B. Watson
Ms J.M. Freeman	Mr M. McGowan	Mrs M.H. Roberts	Ms M.M. Quirk *(Teller)*

Pairs

Ms A.R. Mitchell	Mr B.S. Wyatt
Mrs L.M. Harvey	Dr A.D. Buti
Mr A. Krsticevic	Ms R. Saffioti
Mr D.T. Redman	Ms S.F. McGurk
Mr C.J. Barnett	Mr D.A. Templeman

Question thus passed.

Consideration in Detail Resumed

Division

Amendment put and a division taken, the Acting Speaker (Ms L.L. Baker) casting her vote with the ayes, with the following result —

Ayes (16)

Ms L.L. Baker	Mr W.J. Johnston	Mr M.P. Murray	Mr C.J. Tallentire
Mr R.H. Cook	Mr D.J. Kelly	Mr P. Papalia	Mr P.C. Tinley
Ms J. Farrer	Mr F.M. Logan	Mr J.R. Quigley	Mr P.B. Watson
Ms J.M. Freeman	Mr M. McGowan	Mrs M.H. Roberts	Ms M.M. Quirk *(Teller)*

Noes (29)

Mr P. Abetz	Mr J.H.D. Day	Dr G.G. Jacobs	Mr J. Norberger
Mr F.A. Alban	Ms W.M. Duncan	Mr S.K. L'Estrange	Mr A.J. Simpson
Mr I.C. Blayney	Mr J.M. Francis	Mr R.S. Love	Mr M.H. Taylor
Mr I.M. Britza	Mrs G.J. Godfrey	Mr W.R. Marmion	Mr T.K. Waldron
Mr T.R. Buswell	Mr B.J. Grylls	Mr P.T. Miles	Mr J.E. McGrath *(Teller)*
Mr G.M. Castrilli	Dr K.D. Hames	Mr N.W. Morton	
Mr M.J. Cowper	Mr C.D. Hatton	Dr M.D. Nahan	
Ms M.J. Davies	Mr A.P. Jacob	Mr D.C. Nalder	

Pairs

Mr B.S. Wyatt	Ms A.R. Mitchell
Dr A.D. Buti	Mrs L.M. Harvey
Ms R. Saffioti	Mr A. Krsticevic
Ms S.F. McGurk	Mr D.T. Redman
Mr D.A. Templeman	Mr C.J. Barnett

Amendment thus negatived.

Clause put and passed.

Clause 9: Section 14 amended —

Mr W.J. JOHNSTON: Clause 9 seeks to amend section 14. In the minister's second reading speech he did not mention the changes to Horizon that we just dealt with in the debate on clause 8. He also did not deal with this change. I do not know why the minister is not proud of this decision. He is deleting the requirement that the chief executive officer of Horizon live in Karratha. All that there is in the bill is —

> **9. Section 14 amended**
>
> Delete section 14(4).

The minister never mentioned in his second reading speech the effect of this clause. It is covered in the explanatory memorandum. I will read section 14(4) of the Electricity Corporations Act 2005 for the benefit of the chamber. It states —

> It is a condition of service of the chief executive officer of the Regional Power Corporation that, while he or she holds office, his or her ordinary place of residence is to be in or near the town where the head office of that corporation is located.

Horizon's head office is in Karratha. The minister made comments in his reply to the second reading that it cost $30 000 for travel backwards and forwards to Karratha. But really it should be $30 000 for backwards and forwards travel from Karratha. The problem is that if the chief executive of Horizon Power is moved to Perth to be based at Bentley, the inevitable result is that executives will end up being based at Bentley, because if a senior executive needs to talk to the CEO, they have to be next door and that means that they will have to be at Bentley. That is the reason that this is such an important provision. The weight of the organisation needs to be in Karratha, not in Bentley. For many years, Horizon's weight was in Karratha. Technically, the head office is still in Karratha; it is just that all the executives are at Bentley. That is the problem. We have to rebalance this. That has happened under the watch of the Liberal government, with the support of the National Party. That is not good enough. We will oppose this clause. It is appropriate that the CEO of Horizon live in Karratha.

I am sure that the government will say, "But don't you know how hard it is to get an executive to live in Karratha?" That is the whole point; that is why someone needs to live in Karratha. Members such as the member for Kimberley can tell us about the struggles that people have living in regional Western Australia. That is the point. That is why we do not want to delete this section of the act. We want the people running Horizon to have an understanding of the problems that the consumers who benefit from the work of Horizon are suffering with. It is not just another organisation. Later we will explain why expanding the operations of Horizon is a bad idea, but at the moment we are just talking about the focus, and the focus should be on the regions. One of the ways to

keep the focus on the regions is to have the best people on the board, and that means a majority of the people need to live in the region. Another way to keep Horizon's focus on the needs of consumers in regional areas is for the CEO to be a regional person. Of course, this section of the act does not state that the most talented person cannot be hired. From memory, I understand that the original CEO of Horizon was from Queensland; he was hired from one of the Queensland power companies. The obligation to base themselves in Karratha is very important. That is why we oppose this clause.

Dr M.D. NAHAN: Horizon Power covers a large area throughout the regions from Esperance to Geraldton, Karratha and the Kimberley. Its clientele are extremely diverse. If the CEO is located in Karratha, it does not mean that they know what is going on in Esperance or the Kimberley. Also, often when the CEO travels around Horizon's catchment area, they have to go from Karratha down to Perth, over to Esperance, back to Perth and all around the place. Whether the manager of this business is located in Broome, Karratha or Esperance, they will have to know the activity of the business. Of course, Karratha has not been a cheap place to locate people. It has cost a lot, but the costs are coming down a bit now. It has been difficult to find accommodation in Karratha. It is difficult to compete with the fly in, fly out workforce in terms of travel costs. The head office in Karratha has imposed a significant cost on Horizon Power. If the CEO lives in Karratha, they will probably know what is going on in Karratha, but being domiciled in Karratha does not necessarily help them to know what is going on in the vast areas serviced by Horizon Power, whether it be Aboriginal communities, some of the outer mines, Kununurra, Derby, Broome or Esperance. If the act provides that the CEO has to be located in one area, it not only increases the costs, but also makes it more difficult to find the best person for the job. It also does not seem to fit the objective, as the member for Cannington said, of getting to know the region. Why could the person not be located in Esperance or Broome? We are trying to reduce some of the costs of Horizon Power, to provide flexibility in where the CEO will live and also to make sure that they are centrally located so that they can understand and address the vast areas serviced by Horizon, not just the Pilbara.

Mr F.M. LOGAN: This provision was put in the Electricity Corporations Act in the first place because of the experience that people who received electricity outside the south west interconnected system in Western Australia had with Western Power at the time. It was disgraceful. The relationship between the Western Power regional operations and their customers, whether they were corporate customers or residential customers, was nothing short of appalling. The lack of investment and the lack of investment in maintenance were an absolute disgrace. If the minister does not believe me, he can ask the people who live in Karratha, Broome and Esperance what it was like to be a customer in the bush outside the SWIS under Western Power, because they will be very clear with him about what it was like. It was a shocking relationship. Things did not get done; they got left. Why? It was because everybody in Western Power lived in Perth and did not understand their problems. The delivery of electricity to customers outside the SWIS was organised from Perth. As a result, the further away that people lived from Perth, the less attention they got. That was fact. That is the reason why the majority of directors had to live in regional Western Australia, so that they understood what it was like to be customers and could listen to the customers in the areas of Western Australia outside the SWIS. That is why we put in the act a provision to require the CEO to live as close as possible to the head office. The head office has been located in Karratha. Of course, Horizon also wanted a base in Perth in order to attract a larger number of people to its operations; hence, it has the base at Bentley. Nevertheless, the head office and the CEO were located in Karratha. In that way, the CEO and the majority of the executives could be as close as possible to their customers.

The major capital investments made by Horizon over the last few years have included upgrading the interconnected system between Karratha and Port Hedland; installing turbines right next to the head office in Karratha for peaking plant; constructing the liquefied natural gas facility in Karratha; and renewing the Broome power station, because the old power station was run down and the new unit will run on the LNG that is transferred from Karratha to Broome. The reason that has occurred is that the CEO and the board understood that that investment needed to occur. I can tell the minister that it would not have occurred under the Western Power structure as it was previously. That is the reason that provision was put in the act. If the minister takes this provision out of the act by way of this bill, we will go back to the old days of Western Power when people who lived in the bush outside the SWIS were ignored. They will be second-class citizens, even though it will be a regional power operator, because all the executives, board members and employees, except for those people who have to be in the bush, will be located in Perth.

Dr M.D. NAHAN: Going back to the issue of Horizon Power, it has a very diverse catchment area. Being in Karratha does help the chief executive officer to address some of the issues in the Pilbara. Horizon Power has had a focus on the Pilbara, obviously because the Pilbara has been the fastest-growing industrial zone in Australia. It has also done work in Kununurra and Broome. Energy Developments Ltd, the firm that built the plant in Karratha, has five other plants around the area. Other major areas are Onslow and Carnarvon. There were issues particularly with the investment in poles in Esperance, which has probably been one of Horizon

Power's largest capital investments in recent times. In order to service Horizon, the CEO has to know a very vast and diverse customer. As the member mentioned earlier, Horizon Power put an immense amount of work into linking with and upgrading the facilities for Aboriginal communities. Being in Karratha does not necessarily make the CEO more attuned; it helps in Karratha but not necessarily across the other, diverse areas. The CEO must travel constantly across the various areas that that person has to deal with.

Mr F.M. Logan: That has to happen whether they are in Perth or Karratha.

Dr M.D. NAHAN: Coming in and out of Karratha is very difficult. Flights are difficult; they are limited and costly. They have to travel a long way. If they are going to Esperance, they have to come down to Perth and then go over to Esperance. It is not the hub that Perth is. That is why the CEO of Woodside does not live in Karratha. The president of iron ore for BHP and the CEO of Rio Tinto do not live in Port Hedland or Karratha.

Mr W.J. Johnston: He lives in London.

Dr M.D. NAHAN: The president of iron ore lives here. The local head of Chevron does not live there. The area they have to serve is large. I accept the critique that in the past Western Power did not put very much effort outside the south west interconnected system; that is the feedback I get. If we just rely on something as crude as saying that the CEO must live in Karratha, that is not going to help much given the diversity of the areas covered by Horizon Power. Indeed, given the cost and everything else, it is better to have a flexible arrangement. The main thing the Labor government did that changed that culture was to take Horizon Power out of the integrated unit of Western Power and make it a standalone unit. That is going to remain. The problem that passed through Western Power was that the regional area was just a subset of a bigger entity and was thought to be a lower-quality or lower–pecking order entity. That changed with disaggregation. The Pilbara is a special place. It is very different from the rest of Horizon Power's catchment area. It is a big industrial zone. Other areas, such as Aboriginal communities and Broome, are very different. The CEO has to get across a vast area and vast differences in that area. I do not think that saying that the CEO has to be locked into Karratha helps at all in meeting the stated objectives.

Mr W.J. JOHNSTON: I will not labour this point much longer. I do not know what my colleagues are going to do, but I do not intend to speak much longer. I just want to make a point. The minister said that the person living in Karratha does not know what is happening in Esperance. Maybe that is true, but that is where the headquarters of Horizon Power are. The problem is that if the CEO is living in Perth, all the executives of Horizon will live in Perth because they have to talk to him. If that is where he is, that is what is going to happen. That is why we want them in Karratha. This is not analogous to Woodside, BHP or Rio; they are mining and resource companies. Their focus is to take as much of the resources out of the region as they can to sell to their customers for the biggest profit they can make. For them, fly in, fly out is the cheapest option. But that is not what Horizon does. Horizon was not created to exploit the resources of the regions; it was created to service the needs of the regions. That is why the CEO needs to be a regional person. If the minister says that Esperance is a better place than Karratha for the head office of Horizon, that is cool by me, because this provision would allow that to happen. This provision will allow Horizon to choose where the headquarters are going to be located and to have the CEO at that location. There is going to be this funny situation in which the head office of Horizon will be in Karratha but the only people working there will be a cleaner and a receptionist.

Mr F.M. Logan: And power operators.

Mr W.J. JOHNSTON: No; I am talking about the head office functions. Of course there will be power operators, but at head office there will only be somebody answering the phone and somebody coming in and emptying the receptionist's bin. There will not be anyone else doing a head office activity in Karratha. That is what we are complaining about. I must say that I respect the fact that the minister is a metropolitan Liberal with a long history of supporting the economic case. The economic case says that we should base the person in Bentley, but that is not what this is about. I cannot believe that the National Party is backing this. I also have a problem with the Liberal Party having changed its position. On 21 November 2007, the Liberal Party issued a media release accusing the Carpenter government of doing exactly what will be done by the minister today. The breakout on the side of the document states —

> **"...the ordinary place of residence of the CEO be in or near the town where the Head Office is located"**
>
> **"Fly in fly out is not an option when it comes to the provision of electricity in regional Western Australia"**

The media release goes on to say —

> Shadow Minister for Regional Development Nigel Hallett said the proposed amendment makes an absolute mockery of the Office of Energy's stated commitment to improve service levels and infrastructure delivery to regional areas not serviced by the South West Interconnected System.

Later on the document quotes Mr Hallett, saying —

> "This was an excellent initiative, however, as seen many times in the past, this Government is now once again breaking promises made to regional Western Australia … to remove a key part of this commitment.
>
> "The reasons being given to support the removal of this requirement are that the CEO is having a lot of difficulty getting to other towns in the region serviced by Horizon Power because there are not enough flights from Karratha," Mr Hallett said
>
> "The excuse is that because the CEO cannot fly to these areas, travelling by car is more time consuming, costly and difficult to schedule, which could have a negative impact on the service …
>
> "Welcome to the realities of life in regional Western Australia. The tyranny of distance and its impact on those living and working in regional WA is just a fact of life.

The hypocrisy of the Liberal Party! It criticised the Labor Party when the minister rejected a proposal put to him by the Office of Energy, but it now comes to the Parliament to do exactly what it said should not be done by a Labor government. There is a word for that and that word is hypocrisy. That is what is happening today. That is another reason we are opposing this clause. The National Party is condemned for its inaction on this issue.

Mr F.M. LOGAN: I will make a final statement on this clause. It will be very interesting, member for Cannington, to see what Hon Nigel Hallett says about this clause when this bill gets to the upper house.

Mr W.J. Johnston: Hon Kate Doust is looking forward to it.

Mr F.M. LOGAN: I hope that the word "hypocrisy", which has been used by the member for Cannington, does not come into Hon Nigel Hallett's discussion of this clause when it is in the upper house. I hope he stands by his press release from 2007 and condemns the minister and the government for removing this provision from the legislation.

One other reason the CEO should be up there is that the largest contribution of electrical power to Horizon's suite is from the industrial players in the Pilbara; they play a major role in governing and controlling the power and its delivery through the north west interconnected system. It gave the chief executive officer of Horizon the ability to liaise with people on the ground over investment decisions, maintenance upgrades, outages and other technical issues, and they had to be on the ground to deal with the general managers of the various industrial organisations, primarily mining companies. It also gave them the opportunity to be on the ground to talk to future potential customers; for example, CITIC Pacific Mining. That is one of the reasons Karratha was chosen: they wanted to be there and they had to be there to understand the potential for future growth for Horizon in the industrial areas in the north west.

Interesting, in the division on the previous clause, the member for Pilbara, in his normal smart way, said to me as an aside, "Ah, you couldn't get the CEOs to live in Karratha when you were in government because of the state of Karratha!" Let us take that argument forward. What the member for Pilbara is saying is that the amount of money that he and his party have thrown into Karratha through royalties for regions has made Karratha a very nice place to live—not for him, I might add; he lives in Nedlands. Karratha is an attractive place to live, it is the city of the north, remember, so why does the CEO of Horizon power not continue to live in the north?

Mr B.J. Grylls: The same reason I live in Nedlands, because it is where the work is.

Mr F.M. LOGAN: It is the same reason the member for Pilbara lives in Nedlands. He does not want to live in the north. That is the reason. The member for Pilbara puts forward an argument that he has transformed Karratha into this highly liveable place. Logically, it follows that the arguments put forward by the minister as to why the CEO should live in Perth or somewhere other than Karratha, for example, or near the head office in Karratha, are not true. According to the member for Pilbara there are very good reasons for living in Karratha because all that money from royalties for regions that has been poured into the place has been used to upgrade Karratha and make it a far better destination for the CEO of Horizon to live, yet the member for Pilbara supports the removal of the requirement that the CEO of Horizon live in the area where its major customers are.

Dr M.D. NAHAN: I recognise the Pilbara is a concentrator of heavy activity for Horizon Power. It has been over recent times and will be in the future. There is no doubt about that. That does not mean that there are not other important areas, such as Broome, Kununurra and Esperance, and Onslow, which is pretty important right

now and there are some difficulties there. The chief executive officer has to be across all of those places. Yes, senior people would have to be in Karratha to deal with the issues that the member raises—clients, repair and maintenance, and expansion—but that does not mean the CEO has to do that; other people have to participate in that. The CEO of Horizon has to be across the breadth and difference of the catchment area of Horizon Power, located in one of the regional areas. Living in Karratha does not really help. It increases costs and travel time, and, given the congestion in recent time, it has been difficult.

The Liberal–National government has invested a lot of money into Karratha. Rental prices are easing. I understand it is easier to get flights to Karratha, but that does not make it the hub. We need to give Horizon Power the flexibility and CEO to best service and comprehend its very vast areas, and forcing a CEO to live in Karratha does not help that.

Clause put and a division taken, the Acting Speaker (Ms L.L. Baker) casting her vote with the noes, with the following result —

Ayes (27)

Mr F.A. Alban	Ms W.M. Duncan	Dr G.G. Jacobs	Mr D.C. Nalder
Mr I.C. Blayney	Mr J.M. Francis	Mr S.K. L'Estrange	Mr J. Norberger
Mr I.M. Britza	Mrs G.J. Godfrey	Mr R.S. Love	Mr A.J. Simpson
Mr T.R. Buswell	Mr B.J. Grylls	Mr W.R. Marmion	Mr M.H. Taylor
Mr G.M. Castrilli	Dr K.D. Hames	Mr P.T. Miles	Mr T.K. Waldron
Ms M.J. Davies	Mr C.D. Hatton	Mr N.W. Morton	Mr J.E. McGrath *(Teller)*
Mr J.H.D. Day	Mr A.P. Jacob	Dr M.D. Nahan	

Noes (14)

Ms L.L. Baker	Mr D.J. Kelly	Mr P. Papalia	Mr P.C. Tinley
Mr R.H. Cook	Mr F.M. Logan	Mr J.R. Quigley	Ms M.M. Quirk *(Teller)*
Ms J. Farrer	Mr M. McGowan	Mrs M.H. Roberts	
Mr W.J. Johnston	Mr M.P. Murray	Mr C.J. Tallentire	

Pairs

Ms A.R. Mitchell	Mr B.S. Wyatt
Mrs L.M. Harvey	Dr A.D. Buti
Mr A. Krsticevic	Ms R. Saffioti
Mr C.J. Barnett	Mr D.A. Templeman
Mr D.T. Redman	Ms S.F. McGurk

Clause thus passed.

Debate adjourned, on motion by **Mr J.H.D. Day (Leader of the House).**