

ELECTRICITY CORPORATIONS AMENDMENT BILL 2015

Second Reading

Resumed from 22 April.

MR W.J. JOHNSTON (Cannington) [4.13 pm]: I rise to speak on the Electricity Corporations Amendment Bill 2015. I note that this bill was introduced into the upper house and it has already been voted on in the upper house. I also note that the Labor Party opposed the bill in the upper house and we will continue to oppose the bill in this chamber as well. In explaining why we oppose the bill, I want to make some points about the management of the electricity system in Western Australia. In 2012, the Economic Regulation Authority completed a report that had been requested by the Treasurer of the day, Hon Christian Porter. I think he is honourable.

Dr M.D. Nahan: He was at that time.

Mr W.J. JOHNSTON: If a minister serves three years, they get to keep that title. I think he did serve three years, so he would have kept the title. I think he is Hon Christian Porter.

He had asked the Economic Regulation Authority to examine the cost of electricity for Synergy. Noting the question of carbon at that time, the report found that the underlying difference between the price of electricity and the cost of electricity was 16 per cent. That is when we exclude the effective price of carbon. At that time there was a price on carbon. As we know, there is no longer a price on carbon. It is a very good report and I recommend that all interested members go away and read it. I imagine that all members will get their own copy or download it from the ERA's website and read it.

Interestingly enough, this year's budget comments on the gap between the price of electricity and the cost of electricity. It says that there is a 21 per cent gap between the price of electricity and the cost of electricity. That is interesting because that is five per cent more than the gap in 2012. It is also interesting that the net achievement of the current government is to increase the gap between cost and price by five per cent in the last three years, which is an extraordinary achievement. Although the government has been arguing that its aim has been to bring the cost and price of electricity into harmony, it has been going the other way. That is obviously not a good outcome. As I say, it reflects the achievements of this government.

It is interesting that when I was addressing a business audience in Perth on Friday about the future of Western Power, the Minister for Energy was in Sydney apparently talking about a similar topic. In my address to that audience, I made the point that the government had announced that it would not privatise Western Power. When I asked the minister why he would not privatise Western Power, he could not give a proper explanation. When he replies to the second reading debate, I invite him to explain to the community why he thinks Western Power should remain in public ownership. As I set out on Friday—I can do so again today—I have a logical and reasoned position not to dispose of Western Power. Basically, that relates to the fact that we have what is colloquially known as the desk spiral; that is, the total volume of electricity sold through the south west interconnected network is going down while most of the costs involved in running it are fixed costs—either capital costs or other maintenance costs that are not automatically related to volume. The problem I have with selling Western Power is that we are not solving that problem; all we are doing is transferring the problem to the new owners. The one thing we know is that the new owners are not going to be a charitable institution. They will not pay \$8 billion for Western Power and then not recover the capital investment. That will just not happen. That means that they will only invest in a framework in which its interests are protected. That means that, by definition, that is not in the interests of consumers. The only ownership structure for these assets at a time of enormous change is the public sector. This is not about future investment, because most of the future investment in the network is funded by customers, not by government. It is not as if government is running around making capital injections into Western Power or the other entities involved in the network. I am explaining the opposition's position on public ownership.

If technology is part of the future answer to the problems of the fixed infrastructure investment, the best people to trial innovation are in the public sector. If this was done by a private sector corporation owned by shareholders, the shareholders would be expecting to get some sort of recovery on the costs of their projects. There could be a situation in which the government has to fund the trial while the intellectual and regulatory benefits flow to a private investor, even though the government funded the project, which does not seem commonsense. Also, there may well be opportunities for structural reform in Western Power. Again, if the private sector is allowed to own the infrastructure, the benefits of any future structural reform of the sector will accrue to the private owners of the infrastructure rather than the consumers. That is why in my view if we have a consumer focus in the regulatory framework, we would not sell Western Power. It can be seen that there are

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good reasons not to sell Western Power that go to the heart of maintaining the interests of consumers. After all, the consumers are the people we should be representing and being most interested in.

A member interjected.

The ACTING SPEAKER (Mr P. Abetz): Member for Victoria Park, you are not in your seat.

Mr W.J. JOHNSTON: I am pleased to see the member now in his seat.

It can be seen that there is a logical set of reasons not to dispose of Western Power.

Mr B.S. Wyatt: Sorry, I missed that. Can you run through that again?

Mr W.J. JOHNSTON: I will send the member the PowerPoint presentation.

It would be great if the minister were able to explain his reasons for retaining Western Power in public ownership. It cannot be, as I suggested on Friday, just that the Premier has told him that he is not allowed to sell Western Power. I am amused by the reports in *The Australian Financial Review*. The minister tells me that *The Australian Financial Review* held its own conference in Sydney, and the minister flew over to participate. Good on the minister for doing that; that is the sort of thing that ministers do—go to the east coast, go to *The Australian Financial Review*, where they are guaranteed to get coverage in the media. If the newspaper has put the conference on, the one thing the minister can be sure of is that he will get his name in the paper, because whatever happens will be reported. It was interesting to see what was reported. The minister said that the weakness in the Queensland Liberal National Party's position, and that of Campbell Newman, was that they promised in opposition not to privatise fixed assets, and then when the party came to government, it proceeded with a plan to do just that. We all know that that was probably the major contributor to the defeat of the Newman Liberal National government in Queensland, in the most extraordinary electoral defeat at least in the modern history of Australia if not in the entire history of Australia.

Dr M.D. Nahan: Except for the defeat of the previous Labor government.

Mr W.J. JOHNSTON: No, that was a four-term government that had already reduced its margin.

Dr M.D. Nahan: It was more dramatic.

Mr W.J. JOHNSTON: Yes, it was more dramatic. We have seen recently on the east coast two first-term conservative governments defeated. Interestingly, they have three-year terms in Queensland. That is good when a party is in opposition, but bad when in government—I would hazard a guess, having only been in opposition.

I am trying to put this amendment bill in the context of the management of the electricity system, and the demands on the electricity system. I make it clear that there is absolutely no question that there is a revolution in progress. I know that the Minister for Energy has talked about it himself, and he is 100 per cent right. A revolution is happening. Batteries have emerged much faster than I ever expected. Three years ago I was saying to people that within 10 years there would be a battery revolution, and little did I know that that would happen within three years. I was recently visiting a Perth-based business that, although it does not manufacture the lithium ion batteries itself, it does the integration, software and control, and all those sorts of things. Even here in Perth, people are involved in this revolutionary space. I read that technologies produced by a business in the Australian Capital Territory are in the Powerwall that Tesla is now beginning to market. Elon Musk, who developed PayPal, then sold PayPal and walked away with billions, like these internet entrepreneurs seem to do so often, put his money into other revolutionary businesses, one of which is Tesla.

Mr B.S. Wyatt: That's what I'd do.

Mr W.J. JOHNSTON: Is that what the member would do? I do not think that will ever be a problem for me.

Elon Musk put his money into creating Tesla, which is an electric car company, and he has now recognised that batteries are the key technology in the future of electric cars. He has now entered into an agreement with Panasonic from Japan to build a battery factory in Arizona that is being called the gigafactory. As the member for Butler pointed out to me a couple of weeks ago, it has been renamed from the gigafactory to the gigafactory 1, which gives a clear indication of what the company is going to do next. The company says that it will produce more lithium ion batteries at that one factory than are currently being manufactured in all other battery facilities in the world. As with any manufacturing process, if it is scaled up there will be enormous cost advantages. There was a deep suspicion that it was not focused only on automotive technologies, and that is what we have found. A couple of weeks ago there was an announcement by Tesla of what it calls the Powerwall, and I think the other one is the power pack. I think they are the right names. The Powerwall is intended to be an installation in the home, and the power pack is an installation in the business or perhaps at the grid scale to store electricity out of the grid.

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That is the second wave. The first wave was solar panels. I recently attended a lunch put on by the Australian Institute of Energy in Perth at which Matthew Warren, the chief executive officer of the Electricity Supply Association of Australia, spoke. He put up a great set of slides, one of which listed the 10 jurisdictions in the world that have the highest penetration of rooftop photovoltaic solar panels. Believe it or not, eight of those 10 jurisdictions are the Australian states and territories. We would have the top eight, except I think Hawaii comes in at number six or seven, but otherwise the Australian states and territories would actually be number one to eight in the entire world.

Dr M.D. Nahan: That is not surprising, though.

Mr W.J. JOHNSTON: No. In fact, one of the slides that Mr Warren put up was an aerial photograph of Brisbane showing literally every second house. Western Brisbane has a 50 per cent penetration of solar photovoltaic onto rooftops.

Dr M.D. Nahan: That feed-in tariff scheme really promoted it. I talked to the minister about it; it is still growing.

Mr W.J. JOHNSTON: Yes. This is now grid-competitive, and there is Powerwall and other technologies—I am not singling out Tesla. We have seen the speculation, or the effective announcement, through Dan Mercer’s article in *The West Australian* about Alinta Energy. I think I may have mentioned Alinta’s behind-the-metre concept in the chamber previously. This is the next wave of the revolution; people are taking the energy off their panels and putting it into their batteries so that they can go further and further into the peak. As the minister well knows, looking at these graphs of demand over time each day, there used to be a peak at about 6.30 pm when people came home and turned on their air conditioning. Now the peak is at 8.00 pm because the solar panels have pushed down the peak in the evenings. Batteries are probably going to push that peak down even further. Western Australia is unusual in that we do not have a large industrial load, so for 30 years our peak has been driven by households, not by industry. What are the implications of that for Western Power? It means that we probably will not need additional investment in infrastructure to increase that maximum capacity.

When we were looking forward 10 years ago, one of the big arguments was that everybody was getting air conditioners and big mother plasma screen TVs, which were going to drive the peak through the roof. Now looking back over those 10 years, we see that people did get air conditioners, but they tend to be more energy-efficient, if people do not buy the cheapest ones. The star ratings on the modern air conditioners and LCD LED TVs are much improved. I mentioned on Friday at the business audience that in 2006, during the by-election for the electorate of Victoria Park, I bought a 42-inch plasma screen TV. I think it had a one-star rating. That TV recently died and we had to replace it. We now have a 68-inch TV with a five-star rating. The new TV is 30 per cent bigger than the one we bought 10 years ago yet it uses about one-third of the energy that the 42-inch screen used. The Howard federal Liberal government banned incandescent light bulbs. It has taken a long time for that to weigh through to households but everybody is now using low-energy light bulbs, which is taking energy demand out of the system. It is not only solar panels that are driving down peak demand, but also energy efficiency. There is no doubt that there has been a so-called price effect from the government’s 80 to 85 per cent increase in the cost of electricity and that people will avoid using energy. That is driven into this issue and is affecting the future of Western Power because it probably does not need to invest in peak-demand infrastructure. On the other hand, we have to make sure that the network can cope with bidirectional flow—the flow of energy out of houses back into the system. For example, we have to make sure that a transformer will work when energy is flowing back rather than just when it is flowing in. That is a question for engineers, and I am no engineer. I have asked Western Power about the effect of solar PV on its system, and I was told that there is nowhere in the Western Power network that cannot cope with a number of solar panels on a roof. The Perth Solar City report that came out of the Solar City trial between the federal and state governments in the eastern suburbs of Perth has a very interesting chapter. I urge everybody to download the final report off the Western Power website. All members need their own copy of the final report, even if it is just a PDF, to go through and read it all. I must admit that I have not actually read every single page, but I have read substantial parts of it. One of the interesting parts is the analysis of the effect on the individual feeders by the solar panels. That report basically found that when there were only residences on a feeder, there was not an impact from the bidirectional flow. However, when a feeder served both residences and businesses, there could be a problem.

Dr M.D. Nahan: I think some of the Horizon Power service areas can run into residential —

Mr W.J. JOHNSTON: In Broome, I understand.

Dr M.D. Nahan: Yes, Broome and Carnarvon. I think saturation is pretty high up there.

Mr W.J. JOHNSTON: Carnarvon is impacted too because it has the solar farm.

Dr M.D. Nahan: Yes.

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Mr W.J. JOHNSTON: Yes. It is double pro-solar because there is the solar farm as well.

Dr M.D. Nahan: And also a lot of irrigators are using solar directly for pumps.

Mr W.J. JOHNSTON: Yes. To digress a little bit—I hope the Acting Speaker will allow me to—when Poland and other Eastern Bloc countries were freed from the yoke of Soviet imperialism, they had a phone system that was totally and utterly dysfunctional so a number of those countries skipped over landlines and went straight to 3G phone networks—they just did not worry about that. We can look at Africa, because one of the great challenges of the future of the world is providing energy for Africans. One thing that may well happen there is Africa will skip over the network and go to microgrids and self-distributed generation.

Dr M.D. Nahan: I met the energy minister in Burundi and he bragged that they had 24 megawatts of solar capacity—that is a microgrid already.

Mr W.J. JOHNSTON: Yes. To digress again for a moment, I remember living in Indonesia in 1981 and 1982 and at least once a week, and often more frequently, we would lose the power because the system simply could not cope with the amount of draw-in so there was load shedding all over the place. If it happened to be our turn for the load shedding, we broke out the candles and the torches. I also remember being in New South Wales in the late 1970s when it had the same problem. Anyway, I am getting away from the topic and I know the Acting Speaker will direct me back to the bill.

These are all the demands that are flowing through—I am particularly talking about Western Power. These are all risks. Of course, risks decrease the value of the asset if it was to be sold. Perhaps I am putting words in the minister's mouth, but I think he said before coming into this place in a former life—certainly, the Institute of Public Affairs has argued this, if it was not specifically the minister—that Western Power should have been sold when Victoria sold its electricity assets to maximise the value. Look at the amount of money people got for the Yallourn power stations back then, including for the fixed infrastructure. The reality is, which perhaps the minister was referring to in Sydney when he said that the former government should have sold the —

Dr M.D. Nahan interjected.

Mr W.J. JOHNSTON: I will get there—I am still on Western Power at this stage. I have not even got to the other bits of the network yet, because I make the point that I was talking about the south west interconnected network, not the SWIS, which I am sure the Acting Speaker understands fully, the SWIN being the actual poles and wires that bring electricity to our houses, whereas the SWIS, being the system, includes the power stations and the whole kit and caboodle.

Sitting in opposition, I can get briefings from Western Power, but I really do not have all the information that one would need to fully develop a policy. However, we can see that having government ownership is going to give us more flexibility for innovation in the future. I do not want to use up my hour discussing Western Power, but the minister will have noticed that I asked questions the other day about Synergy and its battery trial in the northern suburbs. Personally, I think Synergy is the wrong entity to be the owner of the batteries; that really should be part of the network, not part of the retail process. The reason for that is that I think it should be about individuals owning the energy that goes into the battery and then recovering the energy when they need it, rather than it being part of Synergy's retail generation choices. It is my view that discharging a battery is not generating electricity. I am no chemist, but if we were to simply decide that discharging a battery is not generating, and included that in the regulations, it would solve the problem.

Dr M.D. Nahan: There is a lot of debate among the regulators and Western Power is intimately involved. I think it came down to it because households had contracts with Synergy, not Western Power, both in terms of the photovoltaics and other ones, but the member is absolutely right: where does the interface between the regulated monopoly and, let us say, the retailer and generator meet? It is a big issue.

Mr W.J. JOHNSTON: Yes, and as I say, I sit in opposition, so I do not have the benefit of the advice of the Public Utilities Office, although I always appreciate the briefings that I occasionally request, as I do when I get briefings from Synergy, Horizon and Western Power. It is impossible from where I stand to have a fully developed policy because it is just so complex, but my inclination is to say that the battery really belongs to the network and not to the retailer.

These are real issues. Having been nice and friendly across the chamber, I am going to get onto some criticisms. I am going to talk about the energy market review, again in respect of Western Power. Unlike the usual opposition thing, I supported the calling of the energy market review, not surprisingly, because it was a policy that the Labor Party took to the 2013 election. That is not to say that I was not critical of the outcomes of the energy market review. The specific criticism that I made at the time the issues paper came out—I repeat it now—is that in my view there was not enough discussion of disruptive technologies in that paper. I have on

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occasion had people who were involved in the discussion paper tell me why I am wrong, or telling me why I did not understand how they implied it into the discussion paper, but that is clearly my view.

What is the outcome from the outcome? The discussion paper was released, they took all the feedback, and then the government made some announcements. The announcement the government made in respect of Western Power was to move the regulation of Western Power from the Economic Regulation Authority, a Western Australian government agency, to the Australian Energy Regulator, which is a cooperative national organisation. I am not supporting that and I am not necessarily opposing it, but I also asked the minister last week during the estimates hearings what advice he had received from the Public Utilities Office about the possible outcomes of that change. The minister was very, very careful to answer, “Oh, well, we don’t have any concluded advice.” The problem I have is: why would he do that if he does not know what he is trying to achieve? What is the advantage of moving to the other regulator? There might be a hundred good reasons, but if he has not been advised about what those good reasons are, how can he argue that he has made the decision on the basis of these good outcomes? The current government has often criticised the former Labor government by saying, “You promised these things through market reform and they weren’t achieved.” The only reason the government knows what we said is because we said something. This is an argument by the current government in respect of this decision in which it is trying to have it both ways. It is trying to say, “This will be better for the system”, but it does not know what those improvements will be.

If members read Western Power’s submission to the energy market review—there is a whole chapter on this in the discussion paper—its big ask was about the weighted average cost of capital. I am sure that the weighted average cost of capital is one of the things Mr Acting Speaker (Mr P. Abetz) goes to bed worried about each night, but effectively it is the amount of return on the fixed investments—the asset value that is allowed by Western Power. The reason that is so important is that that is how much it is allowed to charge the users of the system. Members need to remember that half of their electricity bill is made up of Western Power costs, not the other costs, so a movement in that weighted average cost of capital—from now on I will use the term WACC, because that is what everybody in the industry calls it—can have a massive impact on their bill. In fact, I think Western Power’s request for additional WACC in its submission to the energy market review was worth 1.5c per unit of electricity, which is about an extra 11 or 12 per cent.

Mr B.S. Wyatt: Sorry, say that again?

Mr W.J. JOHNSTON: Western Power asked for a 30 per cent increase in its WACC, from four per cent to whatever it is, and that impact on an electricity bill would be 1.5c per unit of electricity. That is Western Power’s estimate, according to the document. If the price of electricity is 26c, we are talking about —

Dr M.D. Nahan: That would be larger because that is related to their costs.

Mr W.J. JOHNSTON: Sure, but that makes it even worse. I am just making the point that that is a nearly four-and-a-bit per cent additional cost on the electricity bill. That is actually a substantial increase in the price of electricity. The fear I have is that that is what the government is actually arguing about. The problem is that, as we all know, the AER allows a higher WACC on the east coast for those entities than the ERA has allowed in Western Australia. It is true that the AER has revised its WACC calculations down towards the figures set by the ERA, and it is quite possible that the ERA would accept an argument by Western Power to increase its WACC in the next authorisation, but one way or another, my concern is that the real reason the government wants to move from the ERA to the AER is that it wants to increase Western Power’s WACC.

Why would it want to do that? There are two reasons in respect of this bill. The first could be that it would actually increase the value of Western Power if the government wanted to sell it. I know the government has no plans to sell; that is what Hon Norman Moore said on behalf of the Liberal Party in the Legislative Council in the lead-up to the 1996 election about Alinta, which the Liberal government then sold in 1997.

Mrs G.J. Godfrey: Twenty years ago.

Mr W.J. JOHNSTON: I was just observing, member for Belmont, that it is the same terminology; that is all I am drawing attention to—no plans to privatise.

Alternatively, it could be that the government is simply looking for higher dividends, because increasing the WACC will potentially increase the return for Western Power, increase its profit, and therefore increase the amount the government will get back in dividends, which gets back directly to this legislation.

Again, I appreciated the opportunity during the estimates hearings last week to ask questions about the level of the dividend. It was interesting that the 2014–15 dividends are significantly higher than the 2015–16 projected dividends. The reason is that the government has put into the budget papers the interim dividends that will be authorised by this legislation. This legislation is worth about \$200 million or \$250 million to the bottom line of the government in the current financial year. Therefore, that massive deficit that the Treasurer is providing to the

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people of Western Australia will be worse if this legislation is not passed, because it has that double-dividend process for the current financial year. The government will be taking cash out of the entities to put into the budget. We do not think that is a good idea; we think it is better to leave the entities with the cash so that they can provide the services and do the investments that they need to do. The almost inevitable result—again, I am talking about Western Power—is that Western Power will have to borrow money to pay the dividend. We will not know the exact figures until October this year when Western Power’s annual report is tabled, but let us call it in round figures about \$8 billion of assets and about \$6 billion of debt. That is \$2 billion net value. This legislation would allow the government to direct Western Power to borrow \$1 billion or \$1.5 billion and return it to the government as a dividend, because it is unlinking the question of profitability from the payment of dividends. At the moment the company can only give dividends that do not exceed the retained earnings—I will not use the term “profit” because it is not a joint-stock company. I am not saying that the government is doing that, but this legislation would allow a government to do that. I always say to members opposite that if they would not trust the Labor Party with it, why would they do it, because as sure as days fit into weeks, at some time—I do not know when—there will be a change of government, so they have to trust this side of the chamber with what they are saying. Therefore, every time they get up in a debate and talk about the rapacious nature of the Labor Party and how we cannot manage things, this is the instrument they are giving us. Of course, in Western Australia we have the weird system under which we are the ones who run surpluses and keep debt down and members on the other side are the ones who run deficits and run up debt.

An opposition member: It’s all on its head.

Mr W.J. JOHNSTON: It is all on its head, yes. We are the ones who support the free market and they are the ones who oppose it. This is an interesting tool to give to governments, and I do not think they should get it.

I am going to take up the minister’s option to talk about Horizon Power. I will start by saying that, like Western Power, Horizon has some people who work very hard under trying circumstances. I would not want to be a linesman going out to repair cyclone damage or a guy who has to drive hundreds of kilometres across open terrain to get to some remote community to service the facilities there. That is the work that Horizon is doing.

We can see that in 2008 the former Labor government made a submission to Infrastructure Australia. Its proposal was to finish the loop of transmission lines in the Pilbara so that there could be a complete network. The whole idea of an electricity network is that there has to be the capacity for electricity to flow both ways. In that way, if it is flowing to the south and the north, just for demonstration, it has to be able to flow down south, come around and flow back into the north, and, equally, flow up to the north, back around and flow into the south. In that way, if there is damage on one side of the network, it does not cut off the whole system. If there is only a straight line that is not connected around in a circle and it is broken anywhere, the whole thing is broken and electricity cannot be delivered to the other end of that line. That is why we need a network. That is what the Labor Party proposed to Infrastructure Australia. On coming into government, the current government canned that project. All governments are entitled to have their own agenda. I critique the current government’s agenda, but that is what governments do; they change priorities.

In January this year I was on holidays with my daughter in America and I was interested to see that the minister put out a media release announcing a project to examine the conditions that might be needed to do that work to have an integrated, complete network in the Pilbara. That is a good thing. As I said, it could have been done seven years ago, but why should I quibble? What I will comment about is that it is being done effectively by the Public Utilities Office, but not in a public way—that is, not through a fully inclusive process. I urge the government to open up that process so that there is a more inclusive consideration of the demands of the potential for the Pilbara network.

We know the history of the railway lines in the Pilbara. It is clear that there will be some resistance to sharing infrastructure from the mining companies, which may well see that their long investment in infrastructure gives them an advantage over their competitors. That is understandable. Another issue that also needs to be thought about is a set of rules that apply to power stations connected to a publicly available network. Again, I am no specialist, but these rules are required because we need to know the availability and reliability of the power stations. Some infrastructure owners in the north west do not want to connect their power stations to the grid because they do not want all those market rules to apply to the infrastructure that they need to be 100 per cent available for their own operations. Again, I do not have the advantage of the Public Utilities Office to give advice to me, but I do not think it is beyond the wit of man or regulators to develop a system that allows those infrastructure owners to commit only a portion of their power stations to the network. In that way they can keep back a guarantee of 100 per cent of their own demand so that their connection to the network will not have any impact on their own business. If I were to have the benefit of the advice of the Public Utilities Office, it may well be that there are a hundred reasons why that would not work, but it seems to me that that would be a way of harnessing some of the available infrastructure—when I say “infrastructure”, I am talking in particular about

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power stations. That would then avoid the need for expensive investment in infrastructure to meet any potential rise in demand. Of course, we are unique in Australia in that we have more demand off the south west interconnected system than on the south west interconnected system. Everywhere else in the country, the major loads are on the network, but, for us, the major volume and load are off the network.

I now turn to Synergy. The government's one big achievement is the re-amalgamation of Verve and Synergy. When the Labor government was in power, electricity was being sold at below cost—as it is today. What the government describes as losses, which are still there but are now described as a community service obligations because the government does not want to use the term losses, are one way or another a subsidy from the general government sector to the government trading enterprises. It was arranged so that Synergy was the retailer and Verve the generator. Synergy was mandated to try to find the best deal it could on energy and then sell it to end consumers. On the other hand, that meant that sometimes the Verve plant was unable to contract with Synergy, because Synergy could find a lower-cost option in the marketplace. Verve would then lose money, but it got a taxpayer subsidy for those losses, which is very similar to what happens now. When the government changed, a thing called the replacement vesting contract was introduced that shifted the balance between Verve and Synergy so that Synergy had to effectively preference supply from Verve. It had to go to the government supplier rather than the lowest-cost supplier. The Liberal government's argument was that this would stem the losses inside Verve. Well, not really. All that happened was that Synergy still sold electricity for below the cost of supply and was subsidised, but the competitive tension on Verve was removed from the market. I never understood why that was done. Nonetheless, it was done and the then minister Hon Peter Collier said in a speech at the Australian Institute of Energy that people should take a Bex and have a good lie down about putting Verve and Synergy together. Nonetheless, after the election, the government chose to put the two businesses back together as one company. The government abolished what used to be Synergy and put all Synergy's assets into Verve, and then confusingly renamed it Synergy and the company continued.

The 2012 Economic Regulation Authority report states that there is a 16 per cent gap between costs and price and this year's budget states that there is a 21 per cent gap between costs and price. If the idea of putting Verve and Synergy together was to reduce that gap, it has not worked. It has not worked and that is demonstrable. Papers published by the current government show that that gap has actually gone up, not down. Interestingly, several hundred million dollars of additional money was put in at the 2013 midyear review for subsidies to the electricity system, and a number of those subsidies were reversed out in the 2014 midyear review. The government claimed an improved position in the 2014 midyear review as evidence that the assembly of the two companies into one had led to reduced costs, but of course that was a false basis, because in the previous year there had been additional charges.

There are \$450 million of savings booked in the budget and no-one knows where they will come from. During the estimates committee process last week, I asked Synergy to tell us where that \$450 million would come from. The advisers gave a couple of specific examples, but could say where the savings would come from. It will be interesting to look at Synergy's annual report this year and compare it with last year's annual report and next year's when it is tabled. The problem with trying to compare Synergy year-on-year is that the basis of the accounts changed when the company amalgamated and they do not include Synergy's operations before January—I hope I get the years right. The 2014 annual report for Synergy includes only half its year as a retailer and the six months of operation of the old energy retail company is not amalgamated into the annual report of the company. That is understandable, but means that one cannot compare the annual report for the electricity generation and retail corporation with the two annual reports of the electricity retail entity and generation corporation for the previous years. This will be the first year that we can actually compare those two annual reports and it will be interesting to see where the savings occur.

I note the Treasurer comments in budget paper No 3 about risks to Synergy from the price of fuel. I raise the price of fuel because it was one of the issues raised by the minister when he decided to have a full-time chairman. He said that one of the objectives of having a full-time chairman was to have a better outcome on fuel costs. We will watch that with interest, because, of course, the annual reports do not have a breakdown of what was spent on individual contracts with suppliers; they have a breakdown by headings. We will examine those breakdowns by heading and see what is happening with the costs in the business, because we want to know where these savings are. I remind the chamber that when Hon Christian Porter was Treasurer, an efficiency dividend that applied to GTEs was announced, and the board and chief executive officer of the then Verve wrote to the Treasurer and pointed out that they did not believe they could achieve those savings without effecting the reliability of the plant.

In January this year, Synergy had planned plant outages. In January, not only did it have unplanned outages, but it had planned outages. It seems pretty extraordinary that in January and February, at a time when one would expect pressure on generating capacity—we all live here and know how hot and humid it can get—Synergy was having planned outages of its generating fleet. I would be interested to know under what basis the Independent

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Market Operator approved those planned outages. Surely Synergy should not be taking the fleet, or even part of the fleet, down at the one time of year when it might end up with a problem. One has to ask what was happening with the maintenance profile for Verve that it needed to take the plant down at the one time of year that we would all expect it to be available. It would be interesting to find out more about that. Members interested in the operations of the system should have a look at the IMO report on outages. There is one line for each piece of kit that specifies the date and time it was out and there is half a sentence on the reason for the outage and whether it was planned or unplanned. Certainly, for those who are interested it is quite worthwhile to have a look.

I note that Synergy and Horizon are both like Western Power in that they are being required to make this double dividend in the current financial year to rescue the government from the massive deficit it is imposing on the people of Western Australia. Again, the long-term impact that might have on the companies that should focus on delivering service to the community rather than delivering dividends to the budget will be interesting.

I will finish on the fact that in estimates last week we asked Synergy about its operations in the contestable market. I note that in the budget papers there is, I think, a 10.3 per cent reduction in one of the key contestable tariffs. I make the point that that is not the actual tariff, but a planning figure for the purposes of Treasury. That is not to say that any particular tariff for a Synergy customer has gone down by 10.3 per cent, but it is the planning parameter used by Treasury in budget paper No 3. Synergy reported to us in estimates that the volume of electricity being sold into the contestable market is falling and it has a smaller share of that market. They will be something I personally look to explore further because I think we need to understand why that is happening and what the impact on the business is. The fear, of course, is that if Synergy has supply locked in with falling demand, there can be a real impact about what it does with that excess energy. It is not just excess capacity, but Synergy may well have contracted excess supply or part of its fleet might be expected to operate and will be operating sub-optimally because it is losing market share. The government has always told us that one of the reasons it wants to bring Verve and Synergy back together is to eliminate risk, but it seems that the risk still sits there and it will be interesting to get a better understanding of how that risk is impacting on the business and what might happen next. I just remind everyone that the government has announced that post-2017, it will deregulate the small business tariff and look to deregulate the franchise tariff. I do not have a problem with deregulating the business tariff; I think it is probably a good idea. Again, from opposition we do not have the information we need to cost that, but it seems a good idea. However, if there is to be a further impact on declining volumes of electricity being sold by Synergy, it is a major risk to the business and it will have to be clearly identified, particularly when the government wants to guarantee through this legislation that it can still take the money out of the business, even if the business is not making any money, which would be a big negative impact.

Energy policy is a fascinating area; I think about three of us in the chamber are interested in it—or maybe three, four, five or six! Anyway, we oppose legislation because it is just about filling the holes in the government's budget.

MS R. SAFFIOTI (West Swan) [5.14 pm]: I rise to follow the contribution on the Electricity Corporations Amendment Bill 2015 by my colleague the member for Cannington, who is our expert on energy policy in the Labor Party and who knows about the detail. As he said, energy policy is a complex issue and it is ever changing, particularly in today's world with the increased use of solar power and the increasing technology relating to battery storage. I think it is one of those exciting policy areas in which government will always be playing catch-up. It is a very exciting area that will help drive down costs eventually to households and also reduce dependence on networks.

I want to talk about the bill at hand, which is a very interesting bill. Over the past couple of years we have seen a number of bills brought into this place that basically increase the flexibility of government, of the consolidated account, to take money out of government trading enterprises or non-general government agencies. For example, we saw the Insurance Commission of WA special dividend, which cabinet agreed to, as I recall, in October 2012. The funding from that special dividend was written into the numbers for the midyear review in 2012–13, and subsequently the *Pre-election Financial Projections Statement*, but the government did not disclose that special dividend until after the election. These types of dividend raids are not new, in particular because of the financial situation that this government has got this state into.

I want to broadly talk about dividend policy and some issues. I want to cast back to when the Labor government tried to increase dividends from Western Power. The member for Midland might recall this. It was when the premium property tax was no longer going ahead. At the time we were trying to protect a surplus. From my recollection, the 2001–02 midyear review had a \$9 million operating surplus and one of the decisions made at the time was to increase the dividend payout ratio from Western Power to help create that surplus. I remember the amount of criticism levied at the government at the time.

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Mrs M.H. Roberts: From the people in the Liberal Party.

Ms R. SAFFIOTI: From the people in the Liberal Party and the media actually. The level of criticism at the time was staggering. It was as though we had robbed a bank. I think all-up the increase in dividends was probably about \$20 million or \$30 million, if that. I think it was on the front page of *The West Australian* when the state government increased the dividend from Western Power. At the time, the state was emerging from five deficits in eight years under the Court government and was recovering from a recession back in 2000. The issue of dividends has always been contentious, although it probably does not get the same focus nowadays, as many things do not, but they always been the focus of governments. Dividends are basically a return to the taxpayers of owning a government asset. Together with total expense ratios, they bring hundreds of millions of dollars to the state coffers each year. As I said, the whole issue of dividends and TERs is very interesting in particular when we look at the issue of privatisation and the debate around it. The on-again off-again sale of Western Power that this government seems to be putting on and off the agenda is confusing everyone in this state about the government's real intentions for both the generators through Verve and also through the poles and wires through Western Power. We heard reports and comments about what the Treasurer said at *The Australian Financial Review* National Infrastructure Summit in the eastern states and the contradiction today in this chamber to what he was reported to have said last Friday. Once again, there was the interesting comparison between what the Minister for Transport said and what the Treasurer said. The Treasurer said that one of the reasons the Queensland government got into trouble for the privatisation of its energy assets was that it was trying to conceal privatisation by calling it a long-term lease; they were, in fact, one and the same thing. The Treasurer said the Queensland government got into trouble because instead of just being honest about it and saying was privatising an asset, it dressed it up as a long-term lease, and he described what a false argument that was. Once again, a few minutes later, the Minister for Transport—he keeps finding those rakes to step on and smashes himself in the head—answered a dorothy dixer about Fremantle port, saying that the port is not about privatisation; it is a long-term lease.

Dr M.D. Nahan: No, he didn't. He said it wasn't a sale; it was a lease.

Ms R. SAFFIOTI: He said it was not a sale; it was a lease. A few minutes earlier the Treasurer said how silly it was that anyone would ever try to present that view, and that they were sneaky.

Mr B.S. Wyatt: “The public didn't buy it”, he said.

Ms R. SAFFIOTI: He said that the public did not buy it. The Treasurer has to admit that what the Minister for Transport did was silly. Everyone laughed. I think the Minister for Planning has a pretty good sense of humour. Even he snickered. Once again, the Minister for Transport found a rake to step on and he smashed himself on the head with it.

Mr B.S. Wyatt: He finds them a lot.

Ms R. SAFFIOTI: Yes, he does find them a lot. He was walking down the path and again smashed himself into something that we did not even see coming. He completely contradicted what the Treasurer said a few minutes earlier.

On this issue of privatisation, the dividends and taxation equivalent regimes are important. Dividends provide a long-term, ongoing revenue stream to government; they form a key part of the operating revenue. This government has a structural problem with its operating account. We all understand that. Dividends and TERs are one way of having a continued revenue stream. When something is privatised, we give up that ongoing revenue stream. A very interesting debate is occurring. One of my colleagues referred to the Australian Competition and Consumer Commission's comments on the privatisation dilemma facing governments. It said that to maximise a return on privatisation, the state government normally has to do things to maximise the upfront return. This happened with the Dampier to Bunbury natural gas pipeline. There was an ongoing saga with the sale of the pipeline. A company believed that it had a commitment on tariffs. That is why it believed it paid a premium for that pipeline. The government faces a massive dilemma with economic monopolies and infrastructure. It wants to maximise its upfront return so it creates a setting that maximises the upfront return but impacts future economic development. That could mean a couple of things with regard to Fremantle port. It could impact on user charges—the charges that are set for the users of the port. That maximises upfront revenue. Some reports have been written on what has happened in this regard in Victoria.

What happens with competition? Toll roads are an example. Some issues were raised earlier around the creation of toll roads in Melbourne and Sydney. When the private sector builds a road and then charges people a toll to drive on it, conditions and guarantees are normally put on other roads. They are either cut off or shut down to try to ensure that the private sector can maximise the return or get the return that it believes it entered into. The privatisation of economic monopolies is fraught with danger, not only from the ongoing revenue stream of the

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state government, but also with the future economic development of the state. We will continue to explore these issues regarding Fremantle port. These issues also raise their heads with the Dampier to Bunbury natural gas pipeline. Some of these consequences do not become apparent until years after privatisation. Normally, the first couple of years are plain sailing but when economic conditions change, when the infrastructure is on-sold to another party and when different regulatory environments occur, a number of things can happen that create massive problems in dealing with a privatised natural monopoly and a government trying to pursue broader economic objectives. That is something that, frankly, I have not seen an easy solution to. Regardless of the conditions of sale, it is very hard to prescribe one buyer, let alone a subsequent buyer, of that asset, and let alone the buyer after that, to the conditions that might have been set five or 10 years ago. We have seen it with a range of entities, whether it was the sale of R&I Bank Ltd or Qantas, in which conditions or commitments made at the time of sale have not been met. Westrail Freight Pty Ltd is a classic example. I remember the media release very well when the Court government sold Westrail Freight. The then buyer committed to \$400 million in improved infrastructure on the Westrail Freight network. The Auditor General subsequently looked at that to see whether it could validate the \$400 million worth of additional infrastructure spending, and it could not. It is a live issue. As I said, privatising social infrastructure is always difficult because it basically guarantees a rate of return to the private sector. It is a wealth transfer from the government to the private sector, but in economic monopolies, it is a lot broader because it impacts the future economic development of the state.

I want to talk about the commonwealth government's push for privatisation—the idea that we get a 15 per cent bonus, I think, on the value of the asset if it is sold under the Hockey–Abbott privatisation push. I do not like it when people confuse privatisation with economic reform because they are fundamentally very different. The sale of a vertically integrated monopoly is not economic reform by any stretch of the imagination. Disaggregation and how the market is established really drive competition and reform, not the owner. When we sell vertically integrated monopolies, that is not economic reform. That said, the federal government has made a big push into privatisation. We have to step back and ask: what is in it for the federal government? I will tell members what is in it for the federal government. Currently, government utilities pay tax equivalent to the state budget. The state budget collects dividends and under the tax equivalent regime—under the concept of competitive neutrality introduced under the National Competition Council's reforms that started under Keating—the push was to create a competitive playing field for when gentailers operate in a private sector. Tax equivalents were created under the TER regime. Basically, state-owned entities paid dividends and tax equivalents. When those entities are sold, the tax equivalents become tax paid to the federal budget. They have a windfall, though not through increased productivity or any increase in economic output because of the privatisation; they basically get a windfall because it is the destination of funds that used to be paid by the state government. I am sure that if we did an analysis, the impact of the TERs flowing to the commonwealth government compared with the state will more than outstrip any 15 per cent bonus that the state government will not get through privatisation. Let us be clear about that: privatisation means a transfer of money being paid from the state budget to the commonwealth budget. For a government that pretends to be rallying against commonwealth centralisation of our taxing powers or the commonwealth taking over our taxing powers, it is strange to want to keep handing over taxing powers from the state government to the federal government. An analysis should be made in this place—maybe we should ask a question, which we may do—about the long-term impact of privatisation on TERs paid to the state budget versus the federal budget. That is an issue I want to put on the table.

As we said, this bill wants to give more flexibility to the definition of the base on which dividends are paid and far more flexibility on the timing of that dividend. We would not be having this discussion if the budget was not in such dire straits. This is what I call raiding the money behind the couch. These are the initiatives we think of when we are looking for loose change behind the couch. It used to be in the ashtray of the car, but we tend not to do that anymore. Most of us do not have ashtrays in our cars.

Mr P.C. Tinley: It is like hitting the kids' piggybanks.

Ms R. SAFFIOTI: Yes, it is like hitting the kids' piggybanks. It is one of those initiatives that we would not be doing —

Mr B.S. Wyatt: I tend to fossick through my wife's purse.

Ms R. SAFFIOTI: The shadow Treasurer goes through his wife's purse. I use a little container on the counter, where my husband puts all the coins. This is the kind of initiative we use when we basically run out of ideas and we are really looking for that loose change behind the couch.

From a financial point of view, the dividends flow to the general government operating bottom line, so they improve the deficit. However, the government trading enterprise is then required to go and borrow more. The net impact of this transaction on net debt is normally zero.

[Member's time extended.]

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Ms R. SAFFIOTI: Increasing dividends will help the budget bottom line because they flow into the general government operating bottom line, but if those funds were intended for capital expenditure, which now has to be borrowed for, the impact on net debt is zero. It is a sugar hit to the operating bottom line, but it has zero impact on the total public sector net debt. It is just transferring the borrowing from the general government sector to the non-general government sector. That is the financial impact of what has been done. As I said, this gives enormous power to the minister. I will go through some of the key points. The second reading speech outlines that this increased flexibility will operate in two matters; namely, the criteria that must be satisfied when calculating the amount of a dividend, and the timing of the payment of the dividend. Under the current provisions of the Electricity Corporations Act 2005 the amount of a dividend recommended by the board to the minister must be calculated by reference to the profits of that corporation. Currently, the dividends are based on profit, but this amendment will remove that requirement. The corporation no longer has to return a profit to pay dividends.

Mr P.C. Tinley: Squeezing the asset.

Ms R. SAFFIOTI: What is it called? Stripping the asset?

Mr B.S. Wyatt: It is sweating the asset.

Ms R. SAFFIOTI: Yes, it is sweating the asset. I do not want to go too much into detail, but that was what people said about Perth Airport. The owners of the airport sweated the asset, and made a huge amount of revenue, but by the time they get around to expanding it, the number of fly in, fly out passengers is beginning to fall. This is an issue of privatisation, to tell the truth, when the owners have made a lot of money out of it, but did not put in the infrastructure when it was needed. If we compare it with airports around the world and around Australia —

Dr G.G. Jacobs: It's been a dog's breakfast for years.

Ms R. SAFFIOTI: Yes, it has been for about 10 years, and has required some significant investment. It is happening now, but it is frankly a bit late.

This bill allows the minister, at any time, to grab as much dividend as he wants to help the general government bottom line. It is no more sophisticated than that, it is basically —

Mr P. Papalia: It's a smash-and-grab.

Ms R. SAFFIOTI: It is a smash-and-grab on the energy utilities. I am sure that if the budget were in a better situation and the state government had not trashed the state's finances, we would not be here discussing this issue.

I am not an expert on energy policy, but I enjoy listening to the debate in this chamber. This is one of the more complex areas because of the significant changes in technology, the role of government-owned infrastructure and, of course, the increased use of solar panels, the keenness for people to take up renewable energy and the improvements in battery storage technology.

I have been flabbergasted by some of the claims made in this place. Some of the things said by the Premier about the former government losing \$1 billion in the energy sector are just false. No-one lost \$1 billion in the energy sector. I would have thought that if we had lost \$1 billion, that might have been a major issue. It was not, because the former Labor government did not lose \$1 billion. There is a cost differential between what people are being charged and the cost of producing energy. That was not losing \$1 billion. As the member for Cannington pointed out, the subsidy is increasing, not decreasing, under this government.

Honestly, this whole matter of Synergy and Verve is nothing more than the Premier being still irritated that he lost the election in 2001. He is trying to wind back the clock.

Mr B.S. Wyatt: He's won two elections since then and he still can't get over 2001.

Ms R. SAFFIOTI: Yes, he still cannot get over it. He is still annoyed about his canal today; he still obsessed about his \$11 billion canal project to bring water down from the north.

Mr J.H.D. Day: That is not what he said at all.

Ms R. SAFFIOTI: Oh, John!

Mr F.A. Alban: He has already won two elections and he will be a shoo-in for a third. I don't know where you're going to be at the end of the term.

Ms R. SAFFIOTI: A shoo-in for a third! I hope the member for Swan Hills is there to congratulate him. I hope he is not knocked off by his colleagues. I do not want to see that happen to a good man like the member for Swan Hills!

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Mr F.A. Alban interjected.

Ms R. SAFFIOTI: He was better than Matt Birney. I hope the member for Swan Hills is not knocked off by his colleagues, because I want to see him congratulating the Premier on that election day.

Several members interjected.

The ACTING SPEAKER (Ms L.L. Baker): As much as I am enjoying the constant bantering, I suspect that Hansard is having some difficulty working out who is bantering. Could we please return to the debate, with the member for West Swan on her feet and the member for Swan Hills with a sock in it?

Ms R. SAFFIOTI: Just one more, Madam Acting Speaker—indulge me. At least you can tell the difference between the member for Swan Hills and the member for West Swan. The current Speaker cannot tell us apart. The member for Swan Hills should come to my mum's for dinner on Sunday night, and we will see whether she can tell us apart. However, if the member gets the best part of the chicken—the chicken wing—I will be very disappointed!

Several members interjected.

Ms R. SAFFIOTI: She is a very good cook. Salty as, but fantastic!

The whole obsession the Premier has with turning back the clock on energy has just seen the government waste time and energy re-merging Synergy and Verve when there was really no need to. There is absolutely no economic need for that. In fact, all economic evidence suggests that they should not be put together. Disaggregation of vertically integrated monopolies is the basis of economic reform. It is not a matter of who owns them; it is how they are separated and how they compete in individual marketplaces. But the Premier is still upset about 2001 and what Julie Bishop and Richard Court tried to do to him. He is still upset about 2005 and his canal project. I have never seen someone so bitter. The member for Swan Hills is right—he has won two elections, so I would think he would be happier. We would not think he would hate the member for Swan Hills and his own backbench. I would not have thought that he would be so mean and horrible to them, but he is.

I do not quite understand it. He is trying to wind back a clock. I do not understand how the Treasurer can stand and say that somehow the re-merger of Verve and Synergy is some sort of economic masterpiece. All economic literature and all serious economists would say that it actually decreases competition. It is actually going backwards and all the other suppliers or generators in the marketplace would be opposed to it—or were opposed to it.

Anyway, they did it, so the Premier can tick that off. The Premier is still so irritated about losing the 2001 election. If he could pull up the Mandurah rail line, he would. If he could pull up all the sleepers from the Mandurah rail line, he would. If he could erase all memory of the Gallop and Carpenter governments, he would. If he could dismantle every station, I think he would. He has not moved on, and in energy policy he should have. There are massive issues, and this government has spent its time pulling out economic theory of the 1950s. There have been massive challenges, and it has gone back to re-merge two disaggregated sections of a vertically integrated monopoly. As I said, all economic theory and all economic texts would say that that was wrong. Anyway, he ticked that box and got that off his chest for no other reason apart from his irritation about it. A lot of what this government is doing, if members notice, is nothing about good economic sense or theory; it is about the Premier's ego and trying to unwind the past. It is smash-and-grab legislation. It is all about giving this government the ability to try to cover some of its operating bottom lines in the 2014–15 financial year in particular. As the member for Cannington outlined, dividends, tax equivalents and other rates in 2014–15 are \$74 million for electricity corporations. They are then projected to \$23 million next year. Synergy in 2014–15 is \$140 million, then projected to forward \$44 million. Western Power in 2014–15 is \$247 million, and projected forward \$153 million. The member for Cannington outlined that this is as a result of bringing in additional dividends this financial year to try to cover what is a significant budgetary policy. At least they did not sneak this one through an election campaign. At least they did not sneak it into a midyear review document, and then a *Pre-election Financial Projections Statement*. Does the member for Victoria Park remember the Insurance Commission of WA special dividend?

Mr B.S. Wyatt: I do—though I did not know it was in the midyear review that it got mentioned.

Ms R. SAFFIOTI: No-one knew. Remember the draft midyear review documents?

Mr P. Papalia: We had to drag it out of them.

Ms R. SAFFIOTI: No, we only got it through freedom of information. There were no draft midyear review documents. It specifically referred to an ICWA dividend, and that was taken out. It may be similar to those documents that the Premier does not want to go to the Supreme Court with.

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As I said, we oppose another smash-and-grab tax bill from this government as the owner. All it does is improve the general government operating bottom line. It does not impact total public sector net debt. The operating bottom line is the key part of its desperation. Debt is an issue—it has started to realise.

Mr B.S. Wyatt: They have given up on that.

Ms R. SAFFIOTI: Does the member think the government has given up, or it is starting to realise? It is one of the two. It is really the general government operating bottom line that this will help but have no impact on total public sector net debt.

MR P.C. TINLEY (Willagee) [5.43 pm]: I rise to make a contribution to the Electricity Corporations Amendment Bill 2015. I listened intently to the members for Cannington and West Swan on their contributions, noting that, like any other piece of legislation that comes into this chamber, it is rare that we would find one that could be isolated and not have any impact or unintended consequences or knock-on effect to other parts of the way government arranges itself and the state attends to the business of delivering services to its constituents and the market itself. When re-reading the second reading speech from the Minister for Energy, the intent of the bill is particularly interesting for me because it attempts to align, via amendment to the Electricity Corporations Act 2005, the business of the state-owned energy providers—Synergy, Western Power and Horizon Power—with the commonwealth Corporations Act 2001. It is very interesting that that reference should be made because the commonwealth Corporations Act, as many members in here will know, was part of the federated requirements in terms of all states signing up to allow the Corporations Act to exist. It is certainly parallel in parts with the relevant state regulations. The Corporations Act provides for many things. One thing it certainly provides for is the requirements of company officers to undertake their roles with the diligence required—that is, directors and executives of each company are identified within the act, along with certain standards and who has governance over the acts. What we find here is that although the government will not have reference to the Corporations Act 2001, by way of talking about the amendments the government wants to make to the Electricity Corporations Act 2005, it seems to want it both ways. I note in the bill to amend the act, proposed section 127A seems to be drawing a lot of members' attention with concerns about the idea of an interim dividend. It reads —

- (1) If the Minister considers that payment by a corporation of an interim dividend is justified, the Minister may give written notice to the board of the corporation informing it that an interim dividend is to be paid to the Treasurer.

Those positions are embodied in the single individual; I should say that the Treasurer and the Minister for Energy are one and the same person, but obviously that will not be the case for all future governments. The bill continues —

- (2) As soon as is practicable after it receives a notice under subsection (1) the board is to make a recommendation to the Minister as to the amount of the interim dividend that the board recommends as appropriate.

But it goes on —

- (3) The Minister, with the Treasurer's concurrence —

So the minister can have a conversation with himself —

- (a) may accept a recommendation under subsection (2); or
- (b) after consultation with the board, is to direct the corporation to pay an interim dividend of an amount specified in the direction.

Basically, as the member for West Swan said, the Treasurer can wake up one morning, have a conversation with himself and write a note to these government trading enterprises describing the amount of money that the government will receive from them. There is nothing in this that refers to the minister having to satisfy himself, or herself into the future, of the capacity of the corporation to pay such a dividend, should that dividend put them into some sort of structural insolvency or indeed some real insolvency. That is a significant concern. That is where it departs from the example and reference the government wants to make to the commonwealth Corporations Act 2001—that is, no company officer could make in any circumstances such a demand on the business, as shareholders would revolt and indeed invoke some of the asset governance requirements with investigation into the conduct of that company officer, which happens routinely around Australia.

The government cannot have it both ways. It cannot invoke the governance and oversight requirements and the access to the benefits of the commonwealth Corporations Act 2001 on one hand, and then all of a sudden issue itself, in a single amendment and act of Parliament, the ability to write its own cheques. Without checks or balances, there is no parliamentary oversight. A board of directors of a GTE would have one single course they could follow if they follow the guidelines provided by the Australian Securities and Investments Commission in

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relation to the Corporations Act 2001—and that is to resign. In fact, they would probably have a conferred obligation beyond that—that should the minister make such an impost on them that they are structurally unable to deliver the remit that the shareholders require them to for the provision of the service, they would be obliged to actually go into voluntary administration. A VA is something that every director of a board always has at their disposal to invoke at any time. That power is not conferred to them under the rules of the Electricity Corporations Act 2005. I should imagine, without having studied that act in too much detail, that it is silent on the capacity of the directors to undertake such an action, although I will set that as my own homework for the future.

The fundamental issue here is that this government is desperate. It is desperate to be able to sweat the assets of the government trading enterprises to ensure that it can attend to its own mismanagement of the finances. In fact, I would argue that if the Economic and Expenditure Reform Committee and the cabinet were to apply the Corporations Act 2001 to themselves, they would all resign, given the level of debt and deficit that they have produced for this state under their fiscal oversight and, let us face it, the inability of the government to be able to keep the books anywhere close to balanced. The issue in this case is that it is also a nod and wink to privatisation. This will establish a pathway for this government to sell off the assets of Western Australia.

It is important to record here, as I do every time, that I am not opposed to increased competition in the electricity market, because at its heart it is citizen-centric. A proper competitive process has the consumer's demands and requirements at its very heart; I am not sure that any privatisation of the electricity market undertaken by this government would have that as its core and fundamental desire. The member for West Swan talked about the idea that the privatisation of a monopoly is the privatisation of a monopoly, whereas the privatisation of a government-owned monopoly just confers the profit-making capacity to a single owner, and we have great experience in understanding the problems associated with that. I draw members' attention to the more recent example of Brookfield's conduct in managing the grain freight network and its under-investment as it sweated the asset, despite demand from the market to have more grain on rail. It continually played the rules of the market, very legally and very legitimately, as it was deregulated. Here we had a rail system, above and below ground, that was sold off to a single purchaser, the investment bank Babcock and Brown Ltd, which did what every investment banker and deal-maker does—it looked at how it could leverage the asset and extract maximum value before disposing of it. The above-ground and below-ground rail was divided, sold and then sold again, until we had a rail operator that is separate from the owner of the infrastructure, which is pulling in nice lease fees all the way through. The government of Western Australia—and by that, I mean the people of Western Australia—has lost the flexibility to exert its will over a significant piece of infrastructure that could be a multiplier for our economy. It could be an enabling accelerator for the agribusinesses of this state to run more efficiently and profitably, and to grow jobs. That is a very good example of how not to privatise, or how not to introduce profit into a piece of infrastructure and a service that is owned by a single pair of hands.

As I said earlier, genuine privatisation is a part of economic reform, but needs to have at its heart the market-driven attributes that will deliver transition from one state of operation to the next, and I refer to the example of Uber. This government is singlehandedly deregulating the taxi industry by not regulating the technology disrupter that Uber is. It is getting away with deregulation of a market without paying for it. Governments in the past have always assisted industries to transition from one state to another; the dairy industry is one example, and the crayfish industry is another, when quotas were brought in and enforced. The government tried to assist the transition to a steady state in those cases. The example of Uber might sound a bit oblique when I am talking about this bill, but it is very important because it does two things. It shows how demand-led requirement of a service can drive change, and it shows in this case how a government can, for a very low price tag, get away with transitioning the industry away from fixed-price plates, from which many taxi owners derive their superannuation, and they are watching it dwindle and decline in value before their very eyes. It also identifies market disrupters that use technology. They do not always necessarily use technology; there may, in fact, be an innovation in a process or a new technique for a particular type of manufacturing, with minimal application of technology. Too often we think of innovation as being contiguous with the idea of invention, but innovation and invention are two quite separate things. It is very important when we talk about disruptive technologies and market disrupters generally that we understand the difference.

Underlying this bill is what is euphemistically known as the demand death spiral. Probably the least sexy technology disrupter is the innovation in household appliances' consumption of electricity. The star rating system, despite its imperfections, has actually delivered probably the single biggest change, certainly over the last 10 years, in electricity demand. All those white boxes that we have rattling around in our homes are far more efficient than they ever were because the market issued a signal that was less price sensitive to paying a little bit more; the supply was provided, pushing the price down. Whilst it is not a very high-profile disrupter to the market, it has delivered the demand death spiral, although some would say that post the global financial crisis, industrial demand for energy is another big contributor to the demand death spiral. The demand death spiral is

when the cost of the electricity network—the wires and poles—are pretty much fixed, as we know, but the cost of the fixed requirement outstrips the consumption requirement, and this is the underlying issue with electricity in Western Australia. The fixed cost of poles and wires is an impost on every household and, in my view, a roadblock to anybody being able to effectively manage their future household electricity price rises. Hopefully, in the end, industry will really get on board with the baseload requirements.

Like many others in this chamber, I speak as someone who bought a photovoltaic system; I put 28-odd panels on the roof and got a five-kilowatt system. It was not necessarily on the basis of making a cost-effective investment and getting payback in the time period that it was marketed to us; it was, and has become for many households, a method of inoculating the household against any future price rises. That is a significant issue for how this government and future governments will deal with the deregulation of the electricity market, should any future government want to deliver more and more competition into the market.

Sitting suspended from 6.00 to 7.00 pm

Mr P.C. TINLEY: In the interests of maintaining the flow and cadence of my contribution, I seek an extension.

[Member's time extended.]

Mr P.C. TINLEY: To pick up from my earlier remarks, I have already identified that a market disrupter, if you like, in the economy generally is always a contributor and it is almost always demand-led. One of the interesting things about disrupters and technology is that nine times out of 10 timing is the most important factor in when a technology is introduced into the market. There have been many failures of very good technology that just has not found the right outlet. For example, Netflix would not have been the phenomenon it was if we were getting a download speed of only 10 megabytes per minute. If anybody looks to the future, they will identify the disrupter that the national broadband network may well be to the way platforms are used in the home. If we all reflect on our own homes, there are screens—in my case too many—from which all sorts of content can be streamed, from Netflix to Stan to Foxtel. In fact, some of the more traditional platforms that were themselves disrupters such as pay TV may well be on borrowed time as the disrupter that technology, compression technology particularly and pipe technology in of the form of the NBN, will deliver to the marketplace. The consumer will always be king in defining how a technology will be accepted.

When talking about the Electricity Corporations Amendment Bill 2015 and disruptive technology, it is really important that we understand the future of electricity and its two variable parts—the fixed poles-and-wires charge, and the connection and the consumption fee. With the advent of the new technology such as photovoltaics, inverters and the like, we have seen that the biggest technology contributor to the demand side decline for the white boxes in our home is the power efficiency of those white boxes and other measures also taken into the home. Certainly, industry has seen what it terms the “death spiral” for the demand of electricity. As the tide recedes, at its peak is the old-world technology of fixed charges to poles and wires that need a significant capital injection from time to time to expand and deliver to the various users and a lot of recurrent maintenance. This bill inserts new section 127A titled “Interim Dividend” that permits the minister to write a cheque—although I would not for a second think that the minister’s competency would allow him to do it—regardless of the structural problems that it might put the corporations into, or the government trading enterprises in this case. Despite the best efforts of these organisations to operate in a commercial way—that is, having strategic business plans that include capital works, capital maintenance and the expansion and delivery of the grid to an ever-increasing population with a greater demand and industry—in my estimation, they may be affected and severely disabled in the way they can deliver the power a growing economy needs simply because a minister decides that an interim dividend is not only desirable, but also its amount is absolutely important. This becomes even more stark because of future technology disrupters. We have known that disruptive technology in the wind and solar power industries in this state is already on the rise. The CETO pilot program off our very shores almost powers HMAS *Stirling* naval base and is a very good example of how wave energy is being applied to a baseload and hopefully smooths out the baseload peaks as the tide moves. For those members who are unfamiliar with this project, many people think that wave technology sits on the surface but that is not the case. The tank sits subsurface and moves with the rise and fall of the ocean. Even the slightest movement moves a pump that forces pressure down the pipes and onshore that turns the turbines that generate the electricity. Michael Ottaviano and his team at CETO have done a fantastic job to bring in the venture capital and the government funding to achieve what they have achieved, which is brilliant. However—I do not want to go out too far on a limb here—I do not see that that technology has the metrics for the scale of energy that CETO needs to deliver to be able to generate baseload energy in this state. Notwithstanding our intention to be a diverse economy with a knowledge base and skilled services sector, it is fantastic that Western Australia has been able to be the kindergarten, if you like, for the growth of this capacity and capability. This has been a really good example of disruptive technology on the energy supply side that will be really important. We know that wind and solar energy generators have recently made great strides. In 2013, they accounted for 56 per cent of net additions

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to global power capacity, but what holds them back is their intermittent provision of power; for example, solar energy is available only during the day. In fact, I always venture to think that if we were fast enough and agile enough, we would have taken the solar subsidy and buyback arrangements that this government had been running and reapply it to west-facing solar installations so that those households with solar panels on the west side would make maximum use of the descending sun. Therefore, when peak load came on in the afternoon when the kids came home from school and everybody occupied the family home and fired up the energy demand, at least in some proportion the west-facing solar panels would shave some of that peak demand. With the advent of cheap PV systems, inverters and a large number of suppliers, our problem now is that the prices have become relatively cheap for the average household. By the same token, although that has had a significant impact on demand, the other contributing factor has been that when the sun does go down or the wind stops, we are still tethered to the grid and its fixed charges. If this government wants to introduce competition and privatise the energy and particularly the retail arm of the energy grid, the issue will be that those people who are independent of the grid will be subsidising the rest of the grid for the provision support to poles and wires.

That is a fundamental problem because once we have sold it off, we have lost the flexibility. The government has to ensure future revenue as best as possible regardless of the regulatory controls to make its power generation and/or distribution assets attractive for someone coming in to buy them. The only way that this government can ensure future revenue is to ensure that everyone is tethered to the fixed price of poles and wires. We will see declining consumer use that will take the total bill down, but we might find an increasing fixed-use charge for being connected to the grid. Disruptive technology may come in and move faster than public policy in the area of power storage. We have the capacity to generate pretty cheaply. For about \$3 000 to \$5 000, people can get a five-kilowatt system up and running, and, as I said before, it is not necessarily about payback over time against increasing power prices; it is about inoculation from future power price increases. But if the cost of fixed poles and wires will continue to increase, the issue will be fundamentally moot because there will be no incentive for people to move beyond that.

We have a missing link between generation at the home that is easily fixed, but until recently there was no ability to store power.

A member interjected.

Mr P.C. TINLEY: I wish we could hook up the houses of Parliament, because that would be a significant generator.

Many members who are focused on this issue would have seen Elon Musk, the owner of Tesla, announce the Tesla Powerwall, which is by all accounts a fantastic contribution that will meet the requirement to get through the hump and supply a house with a significant amount of power. It is an example of how disruptive technology can get ahead and beat public policy. The Powerwall is a wall mounted energy storage system unit that can hold up to 10-kilowatt hours of electricity and deliver it at an average of two kilowatts. The current price of the unit is about \$US3 500. How that might relate to the commercial product for sale in Western Australia we do not yet know, but even if that price does hold up, it would cost about \$US500 per kilowatt hour. Some people say that is as much as half the cost and translates into delivered energy of about 6c per kilowatt, which still puts it ahead of coal-fired power delivered through the conventional grid. This is a very good example of a disrupter such as power storage coming to book to achieve the missing link between renewable energy and the requirement for the timely use of that energy, which is a significant problem. I think that will be a problem for this government before 2017. I think the pace of technology will outstrip the capacity of public policy to be flexible and keep up. It really will be a problem, because we have old-world technology in our coal-fired power stations and generation. Potentially, even our gas-powered generation will become even less valuable and decline significantly. The boards of directors of these government trading enterprises need to provide the minister with that sort of advice, if we are to achieve a consumer-centric outcome that fits the requirements of the growing Western Australian economy.

MR C.J. TALLENTIRE (Gosnells) [7.14 pm]: I rise to speak to the Electricity Corporations Amendment Bill 2015. I oppose the bill and I will explain why. My opposition to the bill relates to a number of factors, but is ultimately about the changing face of electricity generation systems in Western Australia, Australia and around the world. That change is of such a scale and moving at such a pace that the provisions of this bill seem somewhat divorced from the reality that we as a Parliament have to face. We need our electricity systems to be designed in a way that accommodate the rapid changes we are seeing around the world, such as the emergence of new disruptive technologies; I refer to technologies that many of us have been dreaming of and hoping would come into being for some time. They are coming into being and they will make a huge difference.

Before going any further, I want to relate to the house an evening that I enjoyed with the Sustainable Energy Now group, which is made up of people passionate about the idea of a sustainable energy future. It is a volunteer

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advocacy group. Last night, about 70 people with positive and exciting ideas were in a room at the Central Institute of Technology for a meeting of the group. There were two presentations. Mr Andrew Woodroffe's presentation was titled, "A Tale of Two Wind Farms". Andrew works for a company that installs community-based wind farms. There is one in Denmark and another in Mt Barker. It was interesting to hear the experiences of the people who were behind and supported that wind farm. I first heard about the Denmark community wind farm proposal at least 10 years ago. Even back then there was a concern about grid access, and there was a need for the project to be developed up in such a way that it would gather a strong community support base. That was done. In fact, the community-based Denmark Community Wind Farm Incorporated was formed. Interestingly, an opposition group was also formed. The opposition group did not like the idea that two or three wind turbines belonging to the community wind farm group were to be constructed in the area. It just shows that all along there has been a tendency for people to oppose wind farms. I know and have in the past acknowledged in this place the Premier's role in bringing about the development of the first stage of our first wind farm—the Albany wind farm. That wind farm was opened back in the early 2000s. The Premier did much of the hard work to establish that wind farm when he was Minister for Energy in the Richard Court government. At the time, it was a very expensive operation. Looking back, I think people would say that a Rolls-Royce price was paid for the initial 12 turbines. It was necessary then to do a large amount of community consultation and careful preparation and it became a very expensive exercise even in the late 1990s when the project was first talked about and the early 2000s. That wind farm has been expanded, and I think anyone who visits it would say that it is an asset to the area.

I will talk more about that, but I also want to say more about Andrew Woodroffe's speech, "A Tale of Two Wind Farms". Mr Woodroffe talked about some of the challenges faced by the people who supported the wind farms in Denmark and Mt Barker. Of course, the first thing one needs for a wind farm is a good reliable wind supply. As they say in the industry, there has to be good wind. The second thing to consider is how connectable the wind farm is; it has to be in a position to connect to the grid so that electricity can be happily exported to users. It is interesting that it is not always possible to have the required level of access to the grid. I am told that the electricity produced by the Mt Barker wind farm—to use a technical expression that Mr Woodroffe used last night—is T-boned into the grid.

The electricity is produced and I guess it goes through some sort of step-up or step-down transformer to make sure it is the right voltage to then go into the main grid. It is then dispatched to people across the south west interconnected system. That wind farm is happily producing electricity and working at a very consistent rate. It is something I think that the community is rightly proud of. The Denmark Community Windfarm is again something that has come through after some obstacles with site selection and I mentioned before that people opposed the development at one stage because of concerns about the aesthetic, and I will come to that issue a bit later. It is of course essential with wind farms, as I mentioned, that they have these transformer devices to make sure the voltage is consistent with the grid. I gather that that is more of a complex issue in Denmark because it is at the edge of the grid. It is also one of the reasons that the value of the electricity produced at that wind farm is so much more because it is at the edge of the grid and the difficulties of ensuring a good, clean reliable supply there are so much greater. We so often see this role for renewables; that is, they are brilliant at smoothing out the ups and downs that might be experienced at the edge of the grid.

Last night I also heard from Adjunct Professor David Harries, who I first met when he was executive director of the Sustainable Energy Development Office in the early 2000s. Now David is the adjunct professor at the school of electrical, electronic and computer engineering at the University of Western Australia and he is also a technical director at Energy Made Clean. David's topic was "The Death Spiral: Fact or Fiction? Is it Being Overstated?" That is the question he was asking us. I have already heard other members tonight talk about the issue of the death spiral for the various grid networks around the country and our south west interconnected system. To summarise Professor Harries' position last night, he said that the death spiral is overstated and he gave three major reasons. First of all, he said that not everyone is going to get off the grid. That is a fairly obvious thing and there are all sorts of reasons that some people would want to stay on the grid no matter how competitive or accessible various electricity storage devices might become. Some people will always want to stay on the grid. Perhaps that situation will be reinforced by the reality of our density of living, which might mean that there is not necessarily the space for that amount of photovoltaic capture and also—this is the big thing—we could finally have far more efficient renewable options available to us in the future. It is actually a question of the way of producing electricity most cheaply. Is it by the home rooftop solar system or by solar thermal system or the CETO wave energy systems or wind farms or any other form of technology? Which will be cheapest, bearing in mind, of course, distribution costs have to be added to the price of an essentially produced electricity system—the cost of maintaining the poles and wires to get electricity to someone's home? As David pointed out, not everyone will get off the grid and not everyone can get off the grid. He also said that another issue would be that on-site generation cannot be relied on; not everyone will be able to look to on-site

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generation. Most interestingly, he pointed out that talk of the death spiral tends to overlook the capacity that our energy retailers have for adaptation—the capacity of our generator–retailer, Synergy, to adapt to the situation.

There is a really good example of that adaptation by Synergy going on at Alkimos Beach. I am fascinated to learn about this proposal being put to us by Synergy for a 1.1-megawatt energy storage device at Alkimos Beach. This is not just a storage system that will apply to an individual home, this is a storage device of a big scale—1.1 megawatts—and it will work with quite a number of households, a whole community of households. The proposal will enable people to continue to produce electricity using their rooftop solar system. It will encourage people to have energy-efficient appliances and it will also ensure that people will have energy display monitoring devices in their homes. I think this will really catch on. People want to know more; we have become so much more literate when it comes to energy consumption in our homes. People can begin to visualise what it means to burn four megawatts of electricity a day. I am told the typical Perth household still uses 20 units, 20 kilowatts, a day, and people can start to visualise that. They wonder how many 100-watt incandescent light bulbs that corresponds to or how many hours of the pool pump that corresponds to. They start to think in those terms; they want answers and they want the sorts of devices that can indicate to them where that energy consumption is happening in their own homes. This is part of the Alkimos Beach proposal. It is really an exciting development.

Before going any further on the Alkimos Beach proposal, we need to acknowledge that this has been funded through the Australian Renewable Energy Agency program. That, of course, was created in 2012 and it was part of that very clever architecture of the previous federal Labor government designed to transition Australia to this clean energy future. It was part of the Clean Energy Future package. ARENA was funding innovative projects like this and Synergy has scored some \$3.3 million out of ARENA. If we are talking about this issue of the electricity corporations needing to be able to divvy out their profits in some sort of way, I am concerned to note how that will be impacted on by things like this ARENA grant. If there is public money going into a government trading enterprise, I am happy with that arrangement, but if the distribution of the profits of that government trading enterprise are tinkered with or messed around with, which is the purpose of this bill before us, we really have to be a bit clearer about what we are doing with public money like the money received from ARENA. I should add just how clever the architecture of the Clean Energy Future package was. Fortunately, the previous government was able to legislate for ARENA to be in existence right through to 2020—I understand that that is still the case—and it has \$3.2 billion worth of funding in it. I think in the end even those arch conservatives in federal Parliament were able to see the wisdom of having a body such as ARENA and were able to support it in the end. Thankfully, it is still in existence. There was also the Clean Energy Finance Corporation, the task of which was to bring together lots of private capital and put that towards funding renewable energy projects on the basis that the money would be repaid. The Australian Renewable Energy Agency was providing grants of all sorts of scales, whereas the Clean Energy Finance Corporation was about financing projects. There are two elements. A third element of the Clean Energy Future package is the renewable energy target. It is still in existence, although we have learnt in the last week that the Prime Minister wanted to phase it out completely, as we know from his comments on the Alan Jones radio program. He was motivated by some of the most extraordinary sentiments that he experienced as he cycled around Rottneest Island and saw the one wind turbine and commented that it was “visually awful”. I can understand that sometimes people might not like the aesthetic of a wind turbine.

[Member’s time extended.]

Mr C.J. TALLENTIRE: When we compare a wind turbine with the aesthetic of a coalfield, members would have to agree that there is an enormous difference. I saw an amusing photo showing a view from the air of the Hunter Valley pockmarked with coalmining and ugliness, and then on the horizon a single wind turbine. Someone had written on the photograph, “Yuck, there’s a wind turbine”, compared with all the ugliness before us with coalmining. I think the Prime Minister’s views on this are totally at odds with the vast majority of the Australian community. He went on to say that wind turbines make a lot of noise. I defy any member in this place to go to a wind farm and tell me that they find the noise at, say, 50 metres from the turbine particularly loud. I was on Rottneest Island quite recently, but I did not go to where the turbine is; I would make a point of doing it next time just to check the Prime Minister’s observations. When I was in Albany shortly after Christmas, I went out to the wind farm there and found that it is a beautiful way to see that stunning bit of coastline in my good friend the member for Albany’s electorate. A beautiful walkway was constructed as part of the development of the wind farm down there. What is really striking on the issue of the noise is that I could hear only a gentle swoosh as the blades moved around. That is all that can be heard. I defy the notion that some subsonic noise is experienced. The people who live closest to the wind farm are in the Albany prison, which is not that far away from it. It would be interesting to know whether the people in the prison are even aware of the wind farm’s presence. I think it is completely false to talk about noise as a problem associated with wind farms. I am unaware of a genuine scientific study that suggests that. I note that Senator Chris Back, who I believe has a scientific

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background and who was a vet—he had a sometimes controversial veterinary career, and I recall his role in the famous rocket racer incident—chaired a committee that looked at the issue of noise from wind farms and its effect on human health. I heard Chris Back on the radio say that he still thinks there is something in this. I am absolutely flabbergasted about why he would say that when there is an overwhelming body of scientific evidence that wind farms create nothing that is dangerous to human health, especially for people living a kilometre away from a wind farm. There is nothing of the sort.

To continue with the architecture of Clean Energy Future packages, we have the emissions trading scheme. I have gone through the four key elements of it—the ARENA, the Clean Energy Finance Corporation, the renewable energy target and the emissions trading scheme. We know what has happened with the ETS, but I am amazed at how things are moving on so quickly. It could well be, and it would be an irony here, that the people who will lose out most because we do not have an emissions trading scheme in place will be the big polluters. They might be the ones who miss out because they could have locked in some sort of contractual arrangement to continue to pollute and guarantee themselves a market share by having that ETS, whereas now it could well be that we end up going to a renewable future and renewables will pull it off. I am aware of things like the Abengoa proposal, a 20-megawatt solar-powered plant proposed for Perenjori in the wheatbelt. It is one of the systems in which mirrors reflect onto a tower and heat a salt material to around 600 degrees Celsius. That material is then used to heat and boil water to steam, which can then drive the turbines and produce electricity. That heat is held for at least seven hours. It can be designed so that heat is held for up to 18 hours, so it overcomes the problem of intermittence that is sometimes a problem for renewable energy solar systems. I believe Abengoa is partnering with a Western Australian company called Westgen Pty Ltd. It is a very exciting possibility. I have mentioned it before in this place. These are the things that we need to look at.

We had a debate in this place not long ago about what the government is doing to look after the large-scale renewable energy projects around the place to meet that Large-scale Renewable Energy Target. What is the government doing about making sure renewable energy certificates that have to be purchased by our energy retailers are applied to renewable energy developments in Western Australia? On this point, Professor Harries said he thought it was reasonable that in fact some of those renewable energy certificates from WA go to South Australia or other states. I suppose if we want to take an economic perspective of it, what does it matter? I personally believe it would be very nice to see a renewable energy industry in this state that is nurtured along so that it can be a competitive, vibrant, strong industry on a global stage into the future—something we can diversify our economy with into the future. That would be a great development for us. It is the sort of thing that would warrant our looking at some way of keeping those renewable energy certificates and the money associated with them in WA. I note that at the moment we look like we will lose some \$400 million to \$500 million to other states because we will not have the number of renewable energy projects to warrant the expenditure of those renewable energy certificates in Western Australia. We will miss out. Those issues are in the background of my thinking about why we should oppose this Electricity Corporations Amendment Bill 2015 and why it does not make sense. I was fascinated by the *Four Corners* program last night that, again, highlighted how we are at a point of real transition. The program was titled “The End of Coal?” and referred to a mega coal project in the Galilee Basin—an area that I believe is the size of the United Kingdom—near Emerald in Queensland. It is an enormous, extremely expensive project to establish, one that various banks and financiers have looked at but that many have retreated from. John Hewson, a former leader of the Liberal Party, is quite questioning of the likelihood of that project ever coming to light. Of course, it is supported by the Indian company Adani. It is enthusiastic about it and is talking it up, but we have to realise that India’s policy is to be self-sufficient in coal in about three years, so coal from the Galilee Basin might not be required. It is also very interesting to hear comments from people who are able to give a global perspective on these sorts of projects. The executive secretary of the United Nations Framework Convention on Climate Change, Christiana Figueres, said that Australia has some exciting projects going on. She pointed out that it is about nurturing those projects. She also said that the ZEN project in Adelaide is investing very strongly in a technology that would compete with Tesla Powerwall. It is interesting that Professor Harries made the point that although Tesla is a remarkably successful company and obviously has a very good product, a number of other companies have similar quality products but perhaps have not been as successfully flamboyant in their marketing. A proliferation of renewable energy electricity storage systems will become available. As Christiana Figueres pointed out, this is exciting for Australia. She said —

So a very exciting industry possibility for Australia, the sunniest and windiest continent on the world.

That shows us the choice we have at this time. There is clearly a major turning point in the history of humanity, some might say. To some extent, I agree with the Prime Minister’s comments that humanity has benefited from coal, but clearly we are at a point of great transition. I have looked at the provisions of the Electricity Corporations Amendment Bill and can see that the minister is looking to do all kinds of things differently with the profit dividend. However, there is no mention in his second reading speech of the rapidly changing dynamic

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of our electricity sector. It fills me with fear that we have not done a horizon forecast into the future and therefore if this bill is passed, we will be failing to change the structures of the electricity corporations so they can cope with the future as it will be. That would be a great shame. I am surprised because I have heard the Minister for Energy make some interesting comments that show that he understands that we are at a critical juncture in time with all sorts of renewable options before us, but that is not reflected in the bill. I therefore oppose the bill.

MR F.M. LOGAN (Cockburn) [7.43 pm]: I, too, rise to oppose the Electricity Corporations Amendment Bill 2015. I will start with an assessment of what the bill is all about. Proposed section 127B should be clause 8. Proposed section 127B is the amount of dividend. The first part of this bill seeks to move away from a profits-based dividend, which is an assessment of a government trading enterprise based on the profits it makes, to effectively what is a solvency test that is based on the amount of dividend that can be paid to the government by the three electricity corporations governed by the Electricity Corporations Act 2005. Those three corporations are, of course, Synergy, Western Power and Horizon Power. Proposed section 127B(2) on page 4 of the bill contains a test that the minister and the board have to be satisfied with regarding how those dividends will be assessed before they are paid. The test that must be applied to any of the three corporations to which I referred can be found at proposed section 127B(2)(a), which states that the board and the minister must be satisfied that —

The corporation's assets will, immediately before the dividend is paid, exceed its liabilities; and
That effectively means that it cannot be bankrupt and its assets must exceed its liabilities. Paragraphs (b) and (c) state —

- (b) The excess is sufficient for the payment of the dividend; and
- (c) The corporation will, immediately after the dividend is paid, be solvent.

Obviously that relates to paragraph (a), which states that the assets must exceed the liabilities. That is a significantly different position from which to assess a company's capacity to pay dividends compared with the net profits test. The reason the minister gave for that in his second reading speech is that the way in which the net profit test currently applies, not all dividends or surplus cash that could be made available to the government is made available. Under the current criteria, surplus cash is left over within corporations and thereby it is excluded from its rightful owners—namely, the state government—and the state government wants to get its hands on the cash. That is as simple as it can be. That is the reason for the insertion of proposed section 127B into the Electricity Corporations Act.

The other key part of the bill is the insertion of proposed section 127A into the Electricity Corporations Act, which is headed "Interim dividend". At the moment dividends are paid to the state government by government trading enterprises on an annual basis. The insertion of proposed section 127A will allow the minister to require the board to assess how much of a dividend can be paid at a time that the minister wants it to be paid. The minister will inform the board how much money the minister believes should be paid to the government and the board will deliberate on that and either agree or disagree with the minister. One would assume that if the board disagrees with the minister, the minister will insist that the dividend will be paid anyway. The dividend will be paid on an interim basis at a time determined by the minister, not on an annual basis, which is current practice. They are the two things that this bill seeks to do. That is what the government is asking the opposition to agree to with the passage of this legislation. We oppose this legislation for a number of reasons, but primarily we oppose it because it will simply treat government trading enterprises as cash cows. Effectively, the two provisions are saying to the utilities, "We know you've still got money available to us, and under the current rules we can't get our hands on it, so we're gonna change the rules." Secondly, instead of the money being handed over annually, the government will tell them when it wants the money, and utilities will pay up. There might be very good reasons for the government wanting that money at any time during the financial year, and that is what the government is going to do; it is going to change the law so that the corporation will pay up.

That is not the right way to treat government trading enterprises, if indeed we even have government trading enterprises—and that brings me to my second reason for opposing the bill. This measure continues the ridiculous situation of having government trading enterprises in the first place. Government trading enterprises were a creation of the Court government, which essentially took government departments and agencies and turned them into corporations. Initially, although I was not in the house at the time and was in the trade union movement, Labor initially believed that the government was doing this in order to ultimately privatise those assets somewhere down the line. There was certainly a lot of discussion about the privatisation of those assets during the period of the Court government, but it did not occur. The government trading enterprises continued under Labor. We are probably as guilty as the Court government of this, because we continued the facade of these organisations being companies, when they were not. I made that clear to my colleagues as both a backbencher

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and a minister during the Gallop and Carpenter governments. The whole existence of these government trading enterprises is nothing but a sham. The balance sheet and the budget papers—this is part of the dividend stream—account for taxation and rates that would be paid. Neither the taxation nor the rates are really paid to the state government or local councils.

We could not get more of a make-believe company if we tried. Everything about these government trading enterprises is make-believe. The boards' power is make-believe. The board gives advice to the CEO to run the organisation, but the CEO would be running the organisation as director general of the department anyway, regardless of the advice from the board. I say this as a former Minister for Energy. I know, as the former number one shareholder of the four organisations—now three organisations—what a sham they are. It is ridiculous. The current minister knows this as well. Board chairs turn around after getting their \$100 000—how much do chairs of the boards get paid now, minister?

Dr M.D. Nahan: They get paid \$120 000.

Mr F.M. LOGAN: Now they get \$120 000. They will say to the minister, as they said to me, that it is an important job being chair of the board because, when everything goes pear-shaped, the chair is the one who has to face the public.

Dr M.D. Nahan: Did you find that to be true?

Mr F.M. LOGAN: Oh, yes—all the way through the Varanus Island crisis, they all came trotting out saying, “Don't worry, minister; you take a backseat, and I'll handle the press.”

Dr M.D. Nahan: Eric Ripper told me he found the same thing.

Mr F.M. LOGAN: Absolutely. I am just talking about the sham of a government trading enterprise. These people claim they are contributing a fantastic benefit to the board, and talk about all the work they do and all the sweat that they take on, and the media flak they cop for the minister. They say that, and they honestly believe that that is what they do. I have never seen one front the media in the past 15 years.

Dr M.D. Nahan interjected.

Mr F.M. LOGAN: That is right—I refer to Varanus, Muja AB, and Eric's loss of power completely across the whole system! Who do the media go to when the power goes off? It is not as though they go to the chair of Western Power. That is the last person they go to. They come knocking on the minister's door saying, “You've caused this. What are you going to do about it?” My whole point is that government trading enterprises are a complete furphy. Why do we bother with them? They were probably set up with good intentions in the first place. My own philosophical view is that I think they were set up in order to aggregate some of the powers under a body that could probably be privatised later. Nevertheless, from the conservative point of view at the time, they were probably set up with good intent. The reality is that they are not corporations. They do not act in a corporate manner. They do not run their organisations like a corporation. They adhere to the corporations legislation, but in reality they are not bound by it. The board plays the role of a board, and the chair plays the role of the chair, but they are not really a board made up of directors who have the same legal responsibilities as they would have in the private sector. Because of that, I laugh when I see the reasons that this bill has to come into the house to change the act to allow more money to be paid as dividends. Had these government trading enterprises not existed as government trading enterprises and were simply departments, the money would just be flowing back, and there would be no argument about dividends. The money would just be coming straight back to the government as it comes in.

If these government trading enterprises were truly enterprises and surplus cash was left over, under the current criteria—the net profit approach to dividend payment—why do those corporations not use that money, not simply for reinvestment in capital works, but in the normal way a private company would use it—that is, to reduce the operating subsidies that are being paid out of the dividend flow and invest in other major capital works? In relation to major capital works, Western Power does not use its cash flow or its surplus of dividends. Every time it needs network expansion or a major powerline to be constructed, what is the first thing it does? It comes knocking on the door of Treasury saying that the corporation needs more money. The corporation might tell the Treasurer it will only cost \$1.6 billion for a new line to Woop Woop where a mine may be built. It does not come out of the corporation's own cash flow or reinvested funds. They are always at the front door of the Treasury looking for more money. It is just a complete sham, and they should never have been established in the first place. I would argue as a Labor person that we should not have allowed them to continue as corporations. We should have amended their powers and structures, and changed them. Nevertheless, here they are, and the government is seeking to amend the rules to change the criteria for the way in which the dividends are paid. That, indeed, will probably increase the level of dividend. I ask the minister to look at the dividend payout ratios on page 293, appendix 8, of the 2015 *Economic and Fiscal Outlook*. The ratios are 65 per cent, which is standard for many of the government trading enterprises.

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[Member's time extended.]

Mr F.M. LOGAN: Will this amendment to the act change that ratio? I am assuming it will.

Dr M.D. Nahan: No, those ratios are agreed to as policy of government and communicated through the corporate statement of intent, and they are not changing. There is no policy to change those 65 per cent targets.

Mr F.M. LOGAN: Right. But if the criteria change from net profits criteria to, effectively, solvency test criteria and the surplus cash that exists within those organisations that have surplus cash is made available as a dividend payout to the government, would that not change the overall dividend payout ratio?

Dr M.D. Nahan: So far we are going to continue with the policy of basing it on profit, on 65 per cent of the previous year's profit, but this one just gives us the scope to vary it if the government so wishes.

Mr B.S. Wyatt: Above the ratio?

Dr M.D. Nahan: The 65 per cent is just determined by government as a policy.

Mr B.S. Wyatt interjected.

Dr M.D. Nahan: You don't have to, but the 65 per cent has to apply to a number of calculation profit, which is a reported quantum. Why don't you ask me in consideration in detail? I'll go through that.

Mr F.M. LOGAN: Based on what I have laid out tonight, I just assumed that it would change. The policy setting might still be in place, but —

Mr B.S. Wyatt interjected.

Mr F.M. LOGAN: Yes. It depends on the overall income of the individual organisation we are talking about and the return that the government is expecting. Obviously the percentage would change on the basis of that, and it may change from time to time, but I am just assuming that would be the case.

Nevertheless, if we look at the total estimated actual in dividends return, which is, of course, the dividends, tax equivalents and rates—that triumvirate sham of a government business; the only business that pays taxes that are not really taxes and pays rates that are not really rates, and the whole lot comes back to the government—for 2014–15, it is \$461.6 million and it drops away, under “Dividends, Tax Equivalents, and Rates” on page 286, to \$221.1 million. I note that it continues to drop away in the out years in terms of dividend stream as well.

Dr M.D. Nahan: All this did was bring forward, over the forward estimates, an estimated profit of the businesses. All we did in 2014–15 was bring forward some of the dividends quicker and that is why it is paid in 2014–15 and drops down in 2015–16.

Mr F.M. LOGAN: Yes, because some of those dividends have been brought forward into this financial year.

It is interesting to see the break-up of the dividend stream. Western Power is the bulk of the payees, currently at \$247.5 million; Synergy provides \$40 million and Horizon Power provides \$74 million. The Minister for Energy has banged on in this place about the apparently shocking situation the Labor Party got the electricity industry into as a result of the break-up of Western Power into four separate units. Verve Energy was facing increasing costs of labour, as the minister knows, and worse, increasing costs of fuel; there was a massive increase in gas costs and a reduction in the availability of gas, which resulted in power stations in Kwinana, for example, burning oil as fuel. We were then left with the residual coal contract; at the time we were paying very high prices for coal. All those things conspired against Verve's capability and profitability; it was not just the split-up of the four entities. Remember, under Western Power, those power stations were losing money anyway; their losses were simply hidden by Western Power's overall profit prior to the break-up of Western Power. What became Verve Energy was not some amazing conglomerate of power stations that made huge amounts of money and contributed to Western Power's dividend stream at the time; they were old power stations that were losing money, but their unprofitability was hidden because of the money that was made out of the poles and wires, and the sale of electricity through Western Power. When we disaggregated Western Power, we got some transparency about what the real costs were for the generation of electricity, and it did not look good, and it became worse because of the massive increases in the cost of fuel.

Nevertheless, in 2008—three years after the disaggregation of Western Power—Verve Energy was delivering an \$80 million dividend back to the government. It effectively had to be propped up because of the way in which it stood under the electricity rules at the time. We, as electricity consumers, were being subsidised because of the cost of generating electricity and bringing it into our houses. Nevertheless, Verve as a power producer was delivering a dividend to the government, so it is not surprising that the current Minister for Energy has merged Verve with Synergy so that the retailer and generator are now the one organisation; it is a “gentailer”, as the government calls it, and it is not surprising that it is delivering a \$257.5 million dividend return to the government. Verve delivered a dividend in 2008; it was the first dividend since the disaggregation, but it

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delivered a dividend. The following year the former Labor government was to have begun what we have been criticised for—the 10 per cent increase in electricity costs—which, I still argue, would have been far more palatable and absorbable to people than the initial 27 per cent increase in electricity costs under the Barnett government. Once that 10 per cent per annum increase came in, we would have seen the dividends increase from Verve Energy, and we would have seen the subsidies decrease.

I am still unsure about what subsidies Verve gets today. I refer to page 294 of the *Economic and Fiscal Outlook* and the table headed “Expenses from the General Government Sector to Public Corporations”. The operating subsidy to Synergy is still \$510.6 million, but the bulk of that, as the minister can see, is tariff equalisation.

Dr M.D. Nahan interjected.

Mr F.M. LOGAN: Yes, and it drops away because of the general increases in the cost of electricity.

Dr M.D. Nahan: Those are cost-driven. Those reductions are partly price increase, no doubt, but also cost reductions in Synergy.

Mr F.M. LOGAN: That is true. In the estimates committee the other day, the minister ran through significant cost reductions across the board in Synergy, which will flow back to a reduction in the need for subsidies across the board to serve the tariff equalisation. This brings me back to the question: what is the real cost of subsidy if there is any regenerating plant, given that the generating plant is a newer operating plant than it was even in 2005? This goes to the very point that we always argue. I know that Verve Energy is a stand-alone business, but we got clear transparency on its real cost of operation and, ultimately, it would come good. It would only come good because we had to increase electricity prices, and so we should—they had been frozen since 1993.

Dr M.D. Nahan: The member’s government had the increase but it also had quite a bit of excess capacity. Synergy also absorbed the risk of those PPAs signed with Bluewaters Power and other ones—the member knows this.

Mr F.M. LOGAN: That is true, minister, but we signed them up in good faith on the basis that, like the minister, we saw electricity demand increasing in line with those contracts going forward; therefore, we believed that rather than being caught short for electricity, it was better to be in surplus than in deficit.

Dr M.D. Nahan: But the actuality was that Synergy did not turn out as well as we thought and it got caught holding the assets.

Mr F.M. LOGAN: My point is that the black picture that the Minister for Energy paints regularly about our behaviour as a government and the reform of the electricity sector is nowhere near as black as it was made out to be. It was a good move to reform the electricity sector. The minister as a member of the general public, not a member of Parliament, and an Institute of Public Affairs writer agreed with that position to get some transparency in the reform of the electricity sector. What happened under Labor with Eric Ripper as the electricity minister was a good thing. What we have here is a slightly different electricity sector, and this bill makes another significant change. It appears to me that with this change the government is simply putting its hand into the electricity corporations for more money and saying when the dividends will be paid. The government is saying, “We need some money. How much will you give us?” The boards of these energy corporations are saying, “How much do you want, minister?” The minister will tell them how much the government wants—and then the corporations pay up. That is basically what this bill does. Why does the minister need to do this? It is because of the financial situation this government has got the economy and state government into. The government is facing a \$36 billion debt in the out years of this budget, so it needs every bit of cash it can to bring that debt down and operate the government. This bill simply allows this government to get its hands on the cash within the electricity corporations.

MR B.S. WYATT (Victoria Park) [8.13 pm]: I, too, rise to make some brief comments on the Electricity Corporations Amendment Bill 2015. The member for Cannington, the shadow Minister for Energy, has outlined the opposition’s position in opposing this bill, which has already gone through the upper house and made its way to us. I will thank some of my colleagues because I have enjoyed listening to this debate. The member for Cockburn as a former energy minister talked about some of those days and perhaps regrets of things he did not do with some of the management or boards at some of our utilities. The members for Cannington and Gosnells also spoke, as did some government members. The conversation has drifted fairly wide, but the government, to its credit, has not limited the conversation around some of these areas that have been discussed. I must make the point, as did the member for Cockburn, that we have seen quite regularly in Parliament since 2008 bills that allow dividends to be paid, bills that allow higher dividends to be paid or bills that allow more regular payments of dividends—I will turn to some of these movements in respect of dividends over the years—and this bill effectively does the same. I used to enjoy listening to Eric Ripper make the point that a government “sweating the assets”—I think it was a direct quote—of our utilities is effectively a government desperate for cash. The member for West Swan made that point. We see this now with this bill that does two very interesting things. We

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have had a brief discussion about this and the minister will no doubt provide further details of this during consideration in detail. The minister in his second reading speech made the point that this bill does two things: firstly, it changes the criteria that must be satisfied when calculating the amount of a dividend, which is perhaps the more dramatic change; and, secondly, it provides for the time when a dividend is to be paid, which is less dramatic but simply allows a more regular payment of dividends as opposed to once or twice a year. The member for Cockburn outlined this, as did the minister in his second reading speech. This is a significant change. At the moment, the government policy that is effectively a policy of a dividend being a percentage of the corporation's net profit after tax in the relevant financial year will be changed to, as I understand it, a solvency-style test —

Dr M.D. Nahan: An asset-based test.

Mr B.S. WYATT: An asset-based test—yes. The minister said —

Under the new test, the board of a corporation is required to be satisfied of several matters in recommending the amount of a dividend: first, that the dividend will not result in the corporation's net assets becoming negative

Smart —

that is, a “balance sheet” test; and, secondly, that the corporation will be solvent immediately following the payment of the dividend.

One would hope so. The minister went on to make the point —

Provided these criteria are satisfied, the recommendation of the board is not constrained by reference to profits.

Assuming that this bill comes into effect by 30 June, is it the intent of the government—the minister may pick me off in consideration in detail; so be it—to move to a policy change fairly quickly? Is this something the government is intending to do pretty soon?

Dr M.D. Nahan: Is the member the last speaker?

Mr B.S. WYATT: There is one more.

Dr M.D. Nahan: In terms of the regular dividends, no. The dividend policy is formulated in the statement of intent between the government and corporation, and is still based on 65 per cent of the previous year's profit. This is an interim dividend so it brings forward some of the dividends from 2015–16 to the 2014–15, but it does not change the basis of the calculation of those profits. It is a timing issue. This allows us to have a special dividend if, let us say, Synergy were to sell an asset and it does not need to keep that capital in its own balance sheet. This allows us to take the capital sale to the government. Currently, the government cannot withdraw things other than those based on profit, and therefore an asset sale has to remain in the hands of the corporation.

Mr B.S. WYATT: When I read that, I figured that they were the circumstances the minister is contemplating in the element of asset sales.

Dr M.D. Nahan: No commitment—but that is the contemplation.

Mr B.S. WYATT: Effectively the government can, if it wants, stick generally with that profit-based dividend policy, but it can amend that along the way to deal with those sorts of situations.

Dr M.D. Nahan: Yes.

Mr B.S. WYATT: We had a conversation during budget estimates around the Insurance Commission of WA selling off its property assets and the point was made by the Treasurer or by the deputy chief executive who was there that all returns from those sales would go back into other investments.

Dr M.D. Nahan: Yes.

Mr B.S. WYATT: It will not be a dividend pulled out of —

Dr M.D. Nahan: No. They are just reordering their portfolio from ownership of land management to something else. I am not aware of what they will invest in otherwise.

Mr B.S. WYATT: Thank you for that clarification. I dare say that is one of the very reasons the member for Cannington has recommended that the Labor Party opposes the bill because it allows the sale of assets and the pulling of a dividend out of that instead of going back into the business of the utility.

I wanted to make one more point about the minister's second reading speech. I have lost it; so I will come back to it.

Extract from Hansard

[ASSEMBLY — Tuesday, 16 June 2015]

p4371b-4407a

Mr Bill Johnston; Ms Rita Saffioti; Mr Peter Tinley; Mr Chris Tallentire; Mr Fran Logan; Mr Ben Wyatt; Mr Dave Kelly; Dr Mike Nahan; Acting Speaker

I want to reflect on a couple of things that were said by other members about the technology change in energy. Energy policy and the assets in particular is perhaps one of the more interesting and dynamic parts of government policy in Western Australia; unique simply because of the ownership that we do still have in Western Australia but also now being compromised, if you like, or challenged by the changing technologies. A number of members, including the member for Cannington, talked about the Tesla battery. The member for Cannington is quite right: when I was first elected to Parliament in 2006 there was much conversation around the prospects of floating liquefied natural gas. It was one of those things that was a prospect. The technology is now here; it will shortly be off our shore. As the member pointed out, battery technology has come along much more rapidly than we expected.

The member for Cannington forwarded a very interesting piece written by Alan Kohler that was reported in *The Australian* on 2 June this year, titled “The rapid development of battery technology will change the world”. Anyone who watches ABC news will see Mr Kohler. I will quote a couple of lines from Mr Kohler —

I get it now. It’s all about the batteries.

The car itself is a big leap forward, for sure, but it’s the batteries that will kill the internal combustion engine and, eventually, coal and gas electricity generation.

The rapid development of battery technology is truly disruptive, to several industries at once. It is, undoubtedly, a technology that will change the world.

It is a very interesting piece. Mr Kohler spent some time driving the Tesla Model S and meeting Elon Musk, the owner of Tesla. The article is a fascinating read.

A flipside of that disruptive technology that is challenging energy providers all around the world is the issue of privatisation. I guess that term covers a broad spectrum of what we mean by the role of the private sector in providing government services or ownership, or lease of government assets. We saw that somewhat amusingly today when the question was put to the Treasurer about some comments he made at *The Australian Financial Review* National Infrastructure Summit last week. He made the point there, and again in Parliament today, when he reflected on the Queensland election. He said that the people of Queensland were not silly enough; they would not buy the former government’s line that it was leasing and not selling the assets. The Minister for Transport then made that very distinction, which provided some amusement for the opposition, but it highlights one particular point that has been argued by Rod Sims for a couple of years. He recently got some coverage in *The Australian Financial Review* at the same conference that the Minister for Energy spoke at last week in Sydney. I quote Mr Sims —

“There’s always a spectrum between privatising assets to get a more efficient outcome or to maximise profits,” he says. “The balance has gone too far towards maximising profits. We want more of a focus on greater efficiency—which does bring greater long-term benefits to the public.”

Mr Sims makes a very good point. He specifically referred to the sale of port facilities, but generally in respect of state governments seeking to fatten the pig on market day. He said —

“It’s an inefficient way for governments to raise revenue by putting in place inappropriate regulation or limits on competition in order to get a higher price,” ... “It’s always tempting for governments to do it. But you can understand the public cynicism because the way governments privatise only feeds that cynicism.

The best way to describe when governments do that was a comment Mr Sims made on 23 June 2014. I again quote Mr Sims —

“Privatising in ways that limit competition in order to maximise the one-off sale proceeds is the wrong way. Such an approach increases the sale proceeds by effectively taxing future generations and Australia’s future competitiveness.”

Mr Sims is 100 per cent correct. The examples that have been given, and certainly have been discussed at length in the media before about Mr Sims’ comments, relate to significant increases in charges at the port of Melbourne. I am quoting from an earlier article, which states —

DP World, which is the country’s largest container operator, is now fighting a proposed increase in its Port of Melbourne rental charges of nearly 800 per cent—from \$16 a square metre to \$120 a square metre. Asciano’s subsidiary Patrick, which also operates from the Port of Melbourne, would be apprehensive about facing a similar hike in charges when its own lease is reassessed next year ...

The Victorian government’s justification for such a huge price rise follows the extraordinary price a Philippines-based stevedore, International Container Terminals Services, was willing to pay a year ago to win the tender to become the future third operator at the port.

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As a result of significant fury or anger not just by DP World but interestingly, I am surprised, by the Victorian farmers and the Tasmanian government—I would have thought the Tasmanian government uses the port of Melbourne quite extensively—as a result the government is now re-evaluating that. I will not be surprised if those fee increases are not as dramatic. Mr Sims makes the point that governments looking to maximise that one-off revenue hit from the sale by increasing the sale price may enter into regulations, agreements or constraints that limit the competition, which is effectively denying the benefit of any efficiency supposedly received through that privatisation for future generations of taxpayers in whatever state it is being sold. Mr Sims would be ignored at great peril, particularly since the port of Fremantle is now up for sale—or lease; however the minister wants to define it—but let us call it a sale–lease. I do not know all the details around the capacity of the port of Fremantle and the future of a new port, but it is of course all tied into things like Roe 8 and the freight network. The government will have to be cognisant of comments made by Mr Sims about, firstly, what the government will do with the fees but also what is the future of a new port; will it limit that future to effectively allow a higher sale price of Fremantle port? There are lots of things to be considered. In Australia, Mr Sims is the person who knows about competition and how to regulate our economy in a way that encourages competition. We would have to be very aware of what he is saying and listen to that quite closely.

I want to make a couple of specific points around dividends. If the minister is still mindful of responding by way of interjection: in the 2015–16 budget paper No 3 I think the minister said it was a bring-forward of an interim dividend. In 2014–15, Horizon Power, Synergy and Western Power have significantly higher dividends but they drop significantly in 2015–16 before rising again. Did the minister say it was a bring-forward?

Dr M.D. Nahan: Yes.

Mr B.S. WYATT: That was a bring-forward in 2014–15 of the 2015–16 dividend. I thought that may have been the case. It is not quite an exact comparison, simply because there have been changes, such as the fact that Verve does not exist anymore. Looking back from 2007–08 until now, there have been very significant increases in the dividend and tax equivalents that have gone into government. For example—I will use Western Power, because the others are not a relevant comparison anymore—in 2007–08, Western Power paid income tax expense, local government rate expense and dividends that totalled \$90.8 million. In 2014–15 that was \$247.5 million, but that bring-forward would decline. It is \$153 million for 2015–16 and will be \$156 million in 2016–17 and then \$174 million and up \$155 million in —

Dr M.D. Nahan: Western Power’s asset base between that period would have increased tremendously.

Mr B.S. WYATT: Absolutely, and what the percentage of that dividend is of the asset base compared with 2007–08 —

Dr M.D. Nahan: Its profit rate is hardly changed, if at all.

Mr B.S. WYATT: Because of the significant rise in the asset base.

[Member’s time extended.]

Mr B.S. WYATT: Bearing in mind the minister made the point that this change is effectively to deal with the situation of an asset sale, so there is lots of cash hanging around.

Dr M.D. Nahan: That is the primary objective.

Mr B.S. WYATT: The budget does not factor in the change we are debating tonight.

Dr M.D. Nahan: Except for the bring-forward.

Mr B.S. WYATT: Sorry, except for the timing issue; I understand that.

I assume that there cannot be a permanent change that applies each and every year, because ultimately it would whittle away the balance sheet.

Dr M.D. Nahan: You have to have a policy for the forward estimates. If there was a policy change, it would have to be specified in the budget and also in the statement of corporate intent. All corporations have to state their dividend policies.

Mr B.S. WYATT: But the dividend policy is effectively dictated by the minister.

Dr M.D. Nahan: Yes, but we agree. It is included in the statement of intent by the corporation and I sign off on it. It is submitted to Parliament and made publicly available. If there was a change in policy, other than bringing forward, it would be made public.

Mr B.S. WYATT: I get that. The member for Cockburn alluded in his commentary that it is the government of the day that ends up wearing the heat of the media inquiry. I think the member was reflecting specifically on

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Varanus Island. Ultimately, with the dividend policy, yes, the board agrees, but it is set by the government of the day.

I made the point when I first got to my feet that there has been a range of bills during the time of the Barnett government that have significantly amended either the rate or the dividend. Dividend and payout ratios have changed significantly since 2007–08. The only one that seems to be the same is the Water Corporation at 85 per cent. It was 85 per cent in 2007–08 and it is still that now. All the rest, including Horizon, Synergy, Western Power, the various water corporations and land authorities et cetera, have gone up considerably. The Gold Corporation was at 60 per cent and has gone up to 75 per cent. Certainly, there has been a strong desire by this government to extract more and more dividends from its various utilities and organisations. We have made and will continue to make the point that we have an issue with the significant operating deficits we have in Western Australia. Although these, I daresay, are perhaps not going to make a huge impact. One organisation which I know will have a significant impact and which may be the subject of legislation that we will debate later tonight, maybe tomorrow or later this week is the Bell litigation legislation. I can foresee that the government will have a keen interest in pulling out from the Insurance Commission of WA a rather large dividend for the distribution of that particular asset, which is worth \$1.5 billion or \$1.7 billion and, one would think, would have a significant impact on the state of the finances.

As the member for Cockburn pointed out, this not a huge bill. The minister made the point in his second reading speech that we are effectively moving to a system similar to that in effect in New South Wales and Queensland. While we are having this conversation, do Queensland and New South Wales have the same style? Do they have a profit that allows for what we are trying to do, and allow for a large cash balance?

Dr M.D. Nahan: They have different policies. They are not profit based. They have moved towards the updated corporate law, similar to what we do. It is asset based.

Mr B.S. WYATT: This legislation, as the minister makes the point, is in closer alignment with the Corporations Act.

Dr M.D. Nahan: Yes, the amendments made to the Corporations Act in 2010. New South Wales, Victoria and Queensland are very similar to where we are going now, but the words are not the same. If the member asks me that question in consideration in detail, I can read out their policy statements. They are not the same, and I have to explain. They all allow capital reimbursements, they are not tied to profits and they allow interim dividends like this bill does.

Mr B.S. WYATT: Does the 2015–16 budget assume that the timing has already happened?

Dr M.D. Nahan: It includes those payments and bringing forward those dividends into 2014–15.

Mr B.S. WYATT: Which is why we see that spike.

Dr M.D. Nahan: It was announced in the midyear review.

Mr B.S. WYATT: That is the spike I referred to that we will see decline again in the next financial year.

As the member for Cannington outlined, we oppose this bill. The reasons given by the member for Cannington and perhaps some of the answers given by the minister tonight outline that we have concerns around a government that has shown a very strong desire to extract more and more assets from its government trading enterprises. Eric Ripper used to refer to it, this is a government that is sweating those assets and getting more and more out of them and putting less and less into them. This legislation will allow the government—as the Treasurer has kindly confirmed—in the case of the sale of an asset, to allow the proceeds of that sale to be paid to the government by way of a special dividend that currently is not effectively provided for when dealing with a profit-based dividend system. I think the member for Cannington is quite correct in the position taken by the opposition in respect to this legislation and I look forward to further conversations during consideration in detail.

MR D.J. KELLY (Bassendean) [8.37 pm]: I rise to contribute to the debate on the Electricity Corporations Amendment Bill 2015. Although the second reading speech was about the finances of the electricity corporations, let us be under no illusion that this is just another of a series of measures this government is attempting to put in place because of its terrible mismanagement of the state's finances. The Leader of the Opposition described the most recent budget as the worst budget in the state's history. I think that is absolutely correct. It is the worst budget in the state's history with the largest deficit that is part of the largest state debt in the state's history of \$36 billion. The Leader of the Opposition is absolutely right to describe this as the worst budget in the state's history. I suppose he did not go as far as to say this is the worst Treasurer in the state's history, but I think that is a point one could draw.

Mr D.T. Redman interjected.

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Mr D.J. KELLY: I think that point could be drawn.

One of the members on the other side has taken a bit of offence at my suggesting that the Treasurer is the worst Treasurer in the state's history. I think that is an arguable point. I think the strongest argument against this Treasurer being the worst Treasurer in the state's history is the performance of the Premier himself when he was Treasurer. He may have been the worst Treasurer in the state's history or the former member for Vasse could have been the worst Treasurer in the state's history. I will not go as far as to say that the current Treasurer is the worst Treasurer in the state's history only because I think it is a blanket finish in that race between the member for Vasse, the member for Cottesloe and now the member for Riverton.

The Electricity Corporations Amendment Bill 2015 is very much a product of the abysmal way this government has managed the state's finances. We heard so much from the current Treasurer before he came into this place about the need to control government spending and the requirement to be fiscally responsible. As a Treasurer, he has delivered a budget that shows none of that. This is another bill through which the government is trying to find some additional cash to deal with its state debt position. The government has literally looked around the public sector for any amount of money it can find wherever it might be to try to find a way of grabbing hold of it. That is what this bill is about. I had not heard the expression "sweat the asset" before but it is perfectly appropriate and describes well what this government is trying to do. It has looked at the electricity corporations and asked: how can we get more money out of them? This bill will change the way dividends from Synergy, Western Power and Horizon are calculated. Currently, the dividend policy allows those corporations to pay a dividend only out of their profits. It is a percentage of whatever their profit is. This bill will change the test that determines what dividends can be paid from a profits test to a balance sheet test. Provided the asset in effect will still be positive, an additional dividend can be paid. Although the minister did not talk about asset sales in his second reading speech, it is very clear from the discussions we have heard from the members for Cannington and Victoria Park that the Treasurer has confirmed tonight that one of the prime motivations for this bill is the potential for the government to sell some of the assets of Synergy, Western Power or Horizon Power. It can grab hold of that cash by way of some sort of special dividend. This bill is very much a plan by this Treasurer to get his hands on additional cash, not for the benefit of electricity consumers, but just so that he and this government can try to plug some holes in what is the worst budget in the state's history. That is all this bill is about. It is consistent with what this government has done throughout its seven years. It has consistently plundered Western Australians for more cash to fix the budget problems it has created. This bill will take more cash via the electricity corporations.

The government broke its promise on electricity prices; it promised to keep electricity prices at or around the rate of inflation. The government has thrown that out the window; it has increased electricity prices by much more than the rate of inflation. Members opposite just sit there and grin and shrug their shoulders with the attitude, "We don't care that we have broken promises that we made to the electorate to get elected; we don't care that many consumers now, especially people on fixed incomes, are too scared to put on their heaters or turn on their lights for fear of the consequences on the family bills." They do not care; they are doing whatever they can to make up for the terrible amount of state debt they have created. Apart from the revenue-grabbing measures in this bill, the government has also made some really cruel cuts. I want to mention two really nasty budget cuts this government has put in place—the flipside of the worst budget in the state's history. The first is its need to grab more money and that is what this bill is about. The second is funding cuts in areas in which the government does not think are important. One that has come to light in recent weeks is the cut to financial counselling services. The government has made cuts that will save between \$1.5 million and \$2 million a year. I want to raise with the Treasurer the impact that will have on two services in my electorate.

Point of Order

Dr M.D. NAHAN: Relevance. The bill is about an interim dividend on the government-owned electricity corporations and the member is talking about the financial counsellors in his electorate. I fail to see any relevance.

The ACTING SPEAKER (Mr I.M. Britza): I agree with your point of order, but I was giving latitude because it is a second reading. You have gone off topic, member; you need to come back to the bill.

Debate Resumed

Mr D.J. KELLY: Although this bill is about the electricity corporations, there is no doubt that it is designed to address the appalling state of the state's finances. The Treasurer can shake his head if he likes, but he has delivered —

Dr M.D. Nahan: What does it have to do with financial counselling?

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Mr D.J. KELLY: I will get to that. The Treasurer has delivered a state budget that has been widely described as the worst in the state's history.

Dr M.D. Nahan: Getting a lecture from you is a joke.

Mr D.J. KELLY: It is the worst budget in the state's history.

Dr M.D. Nahan: You have been arguing for 21 per cent wage increases.

Mr D.J. KELLY: I enjoy these mindless interjections from the Treasurer but he cannot hide from the highest amount of state debt in the state's history. To deal with that issue, the government is doing two things. Firstly, the Treasurer is running around trying to find cash wherever he can to bolster the government's income.

Dr M.D. Nahan: Have you read the bill?

Mr D.J. KELLY: Of course, I have read the bill, Treasurer.

Dr M.D. Nahan: If you've read the bill and looked at the budget, you wouldn't be uttering this nonsense.

Mr D.J. KELLY: With all the credentials of being a fiscally responsible Treasurer, the Treasurer is trying to raise more revenue and that is what this bill is about. He is trying to grab a few million dollars out of the electricity corporations.

Dr M.D. Nahan interjected.

Mr D.J. KELLY: The Treasurer has said that if we sell an asset, this bill will enable him to pay it as a special dividend. He has just confirmed in the discussion he had with the member for Cannington that that is one of the reasons. The second thing the government is doing to deal with this being the worst budget in the state's history is running around cutting funding to things from public services.

That is why what the government has done with financial counsellors is relevant to the Electricity Corporations Amendment Bill 2015; it is the other side of the coin. This bill is all about addressing the problems the government created for the state budget. In an attempt to fix the state budget, the government is cutting costs and trying to raise revenue. It is cutting costs to the Salvation Army in Morley, which is in my electorate, and it is cutting costs to Blue Sky Financial Planning, which is a financial counselling service in Lockridge. On the weekend, I spoke to a woman pensioner who raised five children and who now lives on her own. She has reached the point at which she cannot afford an egg in her house.

The ACTING SPEAKER (Mr I.M. Britza): Member, you need to come back to debating the bill.

Mr W.J. Johnston: It is because she is having trouble paying for electricity.

Mr D.J. KELLY: The member for Cannington has taken the words right out of my mouth, because one of the issues she raised is that in summer —

The ACTING SPEAKER: Member, I suggest you come back to debating the bill, because you have gone away on a tangent.

Dr M.D. Nahan interjected.

The ACTING SPEAKER: Order, minister!

Mr D.J. KELLY: I know that the Treasurer is very concerned about those people on fixed incomes in Western Australia.

Dr M.D. Nahan interjected.

Mr D.J. KELLY: Mr Acting Speaker, all I am getting is constant gibberish from the benches on the other side of house.

The person I spoke to on the weekend who cannot afford to buy one egg has been hit with high electricity prices in summer and a high gas bill in winter. What the government has done to electricity prices has had a direct impact on that pensioner.

Dr M.D. Nahan: We don't regulate gas prices.

Mr D.J. KELLY: Yes, but the government privatised the industry. My friend, I suspect the government will privatise assets.

Dr M.D. Nahan interjected.

Mr D.J. KELLY: I am looking forward to the Minister for Energy answering all these issues in his response. The Minister for Energy does not like it when people refer to what he has done in his role as Treasurer. He

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handed down the worst budget in the state's history. He is arguably the worst Treasurer in the state's history. The only thing that keeps him from wearing that crown without peer is because his two predecessors were also so poor at their job. The current Treasurer can thank the former member for Vasse and the member for Cottesloe for protecting him from being without doubt the worst Treasurer in the state's history. We oppose the bill because it demonstrates the appalling way that the Treasurer has dealt with the state's finances. He is running around trying to find additional cash and he is making cuts to social services that will directly impact upon the wellbeing of low-paid workers in Western Australia. Anyone who says that suburbs such as Morley and Lockridge need less financial counselling is detached from reality. I am surprised that anyone on the government benches would say that Morley, for example, is not an area in which people are doing it tough. The Salvation Army could do with twice as many financial counsellors. Major Lyn Freind, who runs the service in Morley, told me that the Salvation Army could do with two financial counsellors.

The ACTING SPEAKER: The member's comments are moving away from the bill. Come back to the bill.

Mr D.J. KELLY: Yes, Mr Acting Speaker.

The impact that this government is having on people on fixed incomes in this state is something about which I feel strongly, so when I get an opportunity to raise these issues with the Treasurer, it is hard not to do so. The Treasurer runs his eye over all these decisions—and especially as they affect my electorate, I feel obliged to raise them.

The ACTING SPEAKER: The member may feel obliged, but he needs to keep within the bill. I understand that. I do not want to stop the member.

Mr D.J. KELLY: I understand what you are saying, Mr Acting Speaker.

The ACTING SPEAKER: Thank you.

Mr D.J. KELLY: In the few minutes I have left, I will say something about state debt and the impact that it is having on another government trading corporation with which I deal directly as shadow Minister for Water—that is, the Water Corporation. Although the Treasurer has yet to propose, as far as I am aware, to amend the dividend policy for the Water Corporation, state debt is impacting on the Water Corporation in other ways. Last year in August, the Minister for Water accidentally tabled in Parliament the Water Corporation's five-year strategic plan.

[Member's time extended.]

Mr D.J. KELLY: That strategic plan made it clear that the Water Corporation's assessment was that it needed \$5.4 billion in capital expenditure to properly maintain its assets over the next five years. However, it noted that the budget of 2014–15 committed only \$4.5 billion to capital expenditure. The Water Corporation board made it clear that \$950 million in capital shortfall was something—I am paraphrasing—that it could live with provided there were no further cuts. However, it did warn that there might be spills, breakdowns and higher maintenance costs and the like because of that capital shortfall. Nevertheless, the Water Corporation said it could live with the \$4.5 billion instead of the \$5.4 billion it believed it needed. The corporation understood it was being deprived of the extra \$950 million because of government state debt—no other reason. The Water Corporation could have financed the borrowing of the additional capital if it had been left to its own devices, but it made it clear that it was being denied additional capital because of the government's state debt position. Rather than heed the Water Corporation's warning ever since the Minister for Water accidentally tabled the document, the Treasurer has done nothing except take more capital from the Water Corporation. In fact, the budget that has just been handed down has an asset investment program for the Water Corporation of \$3.9 billion over the same five-year period that the Water Corporation originally said it needed \$5.4 billion, but it settled for \$4.5 billion. The government has taken away another \$600 million from the Water Corporation's asset investment program. During last week's estimates, Water Corporation advisers put on a brave face and tried to say that the Water Corporation had dramatically changed the way it manages its assets and that it is now able to properly maintain its assets with \$1.6 billion less in capital expenditure than was contained in the strategic development plan the Minister for Water tabled in only August last year. I find it interesting that the Treasurer must tick off that strategic development plan under the Water Corporation Act. Halfway through last year, the Treasurer approved a strategic development plan for the Water Corporation that said that it needed \$5.4 billion to maintain its assets, but gave it only \$4.5 billion—then less than nine months later, the Treasurer handed down a budget that removed another \$600 million from its capital investment program. I am greatly concerned that the Treasurer is putting the screws on the Water Corporation to restrain its capital expenditure for no reason other than to keep a lid on state debt. We all know what happens when there is no investment in the capital of a corporation like the Water Corporation. It leads to more leaks, more bursts, and greater maintenance costs into the future. Yet again, to keep state debt in check, the government is refusing to spend money now but is passing that cost onto future

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generations. That is my concern about what the government is doing to the Water Corporation. For the same reason that the government, with this bill, is seeking to take more money out of the electricity corporations by way of additional dividends—to deal with state debt—it is putting the screws on the Water Corporation. I note that the minister has stopped interjecting. I suspect that is because he knows that what I am saying is absolutely true. As arguably the state's worst Treasurer, he has created a mountain of state debt that he does not know how to manage. Because he has got himself into a pickle, he is running around trying to find cash. He is trying to engineer more cash out of the electricity corporations. He is putting the squeeze on other government trading enterprises such as the Water Corporation and, as I said, in the most miserable move of them all, he is trying to take money away from financial counsellors so that in my areas of Morley and Lockridge, he would save a few hundred thousand dollars.

The DEPUTY SPEAKER: Order, member. You have been warned previously about straying there; now can you please return to the bill?

Mr D.J. KELLY: It is all about the Treasurer's strategy to resolve debt. He is ripping money out of corporations and he is cutting government services in a range of areas. I know he does not like me talking about it because that is exactly what he has done. It is a problem that he has created, and now the people of Western Australia are suffering.

DR M.D. NAHAN (Riverton — Minister for Energy) [9.02 pm] — in reply: I will make a few final remarks about the purpose of the Electricity Corporations Amendment Bill 2015, and we will then obviously go into consideration in detail. It is quite straightforward. The bill does not start a death spiral and has nothing to do with financial counsellors. It does not raise any additional money over the forward estimates. It is on a par with the Corporations Act, as it currently is, and is on a par with the situation in other states. It provides a more flexible approach to defining the criteria for levying dividends on the electricity corporations, currently Synergy, Western Power and Horizon Power. It allows for a special dividend or an interim dividend.

Under the current arrangements, the Electricity Corporations Act 2005 was based on the commonwealth Corporations Act 2001 when it was written, and that had dividend policies related to profit. Under the current act, the dividends from the electricity corporations are restricted to profits of the previous year. However, the government can take 100 per cent of the profits of the previous year, after tax. The dividends are paid once a year—and only once a year. There are no provisions under the current act for interim dividends or capital-based dividends. If one of the corporations sells an asset, for whatever reason, it is not treated as profit, but as a return on capital, and the proceeds have to stay within the organisation. Sometimes that is a good thing, and sometimes the money might be better used elsewhere.

Under the current act, the minister can direct the government business enterprise to vary the dividend from the corporation's recommendation. However, the minister, in making that variation, must have consideration of the profit after tax of the corporation. Also, the minister must provide that direction to power. Dividend policy is not determined within the act; the act just sets the structure and parameters for it. Dividend policy is set out in the statement of corporate intent that is signed by the minister and the board of the business enterprise. Currently, the statements of corporate intent of all three corporations relate dividends to 65 per cent of their previous year's profit after tax, and do not provide for an interim dividend.

These changes replace the profit-based tax with a solvency and asset-based tax, or a balance sheet tax. That is consistent with the current dividend requirements under the Corporations Act, which was changed in 2010. It has a three-part test: the corporation's assets prior to levying the dividend must exceed its liabilities; there must be an excess of assets over liabilities sufficient to pay the dividend; and, after the dividend is paid, the corporation must be solvent. This is again modelled on the existing requirements in the Corporations Act, section 254T. As I said, under the current act, corporations are not allowed to pay a dividend on a return on capital. This bill allows the corporation to make a payment related to not just profit but also other sources of income, including assets. If the corporation were to sell an asset—let us say, as we have discussed before, Synergy selling Muja AB—that can be distributed back. After this bill becomes an act, earnings from the sale of Muja AB could be paid to Treasury. It is sensible policy for the government to decide where its equity rests, particularly of a cash nature. Given the debt levels of Western Power, I fail to envisage a circumstance in which moderate-sized assets were sold, and the proceeds did not stay with Western Power. Synergy, on the other hand, which we do not envisage building new generating capacity—and I am told will be debt free within a couple of years—once we get the market based on the competitive system, may sell some generating assets. This is in preparation for that—that is, when Synergy sells some generating assets to allow a much more competitive market without government guarantees and backup, we can take the proceeds from the sale and put them back to where they would belong, probably with Treasury, to reduce debt. This legislation also allows for an interim dividend—that is, a dividend paid not just once a year but perhaps twice a year related to the same target amount.

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The budget is based essentially on bringing forward some of the profit earned in 2014–15 that would otherwise be paid as a dividend in 2015–16. Indeed, the estimate is that overall it would bring \$153 million forward from 2015–16 to 2014–15. That breaks down to \$27.6 million in Synergy, \$114 million in Western Power and \$11.5 million in Horizon Power. That is what is included in the budget and it does not, in effect, raise any more money; it just brings \$153.2 million forward from 2015–16 to 2014–15. That is it. It is not a cash grab and it is not raising any more money; it is just bringing forward the receipt of it by about a year. That is it.

Mr W.J. Johnston: Can I just ask a question about that? You have two dividends in 2014–15, you have one in 2015–16, one in 2016–17 and one in 2017–18, so actually you have five dividends in four years.

Dr M.D. NAHAN: The dividend in 2015–16 will, of course, be smaller because part of the basis for the dividend are the profits from 2014–15, which are brought forward, but the amount of money being extracted from the business through dividends in our budget estimates is the same.

Mr W.J. Johnston: No, it's gone up by one dividend because you've got five dividends instead of four.

Dr M.D. NAHAN: Yes, but the amount is the same.

Mr W.J. Johnston: No, because you would have got it over five years and you're going to get it over four. You've pulled it forward.

Dr M.D. NAHAN: Yes, we have brought it forward. I will go through with my advisers what the assumptions are in the forward estimates, just to be precise about those.

It is consistent with what New South Wales, Queensland and Victoria do with their electricity government business enterprises. It is also consistent with the policy structure of what the commonwealth government does with its limited number of GBEs. It is not a cash grab, and it is consistent with the Corporations Act and with the changes to the Corporations Act since the Electricity Corporations Act 2005 was first enacted. It is consistent with what the other states are doing, and it is logically consistent that if we are to sell an asset, if it is not best to leave the proceeds of that asset in the business, I emphasise that in the case of Western Power, we would do that. We would pay down its debt levels first, but for Synergy, particularly since Synergy is not going to go into the business of building large replacement generation capacity, and the estimates I have are that Synergy will be debt-free within a couple of years, I see no reason, if we are to sell an asset, to leave the proceeds of that capital sale within Synergy. It is better to put it into Treasury to use for its purposes.

It was a wideranging debate. I will make a couple of comments on the Port of Melbourne sale. I met Tim Pallas, the Victorian Treasurer, the other day, and he has before the Victorian Parliament a bill for the sale of the Port of Melbourne; I urge members to read it. I have not read it, but he summarised it for me. In the case of regulating an asset like the Port of Melbourne, all increases are decided by the minister and there have been some very large proposed increases in stevedoring charges. The member for Victoria Park read from an article that tried to explain that.

Mr B.S. Wyatt: Tried to.

Dr M.D. NAHAN: I know; I read the article too. All I can say is that that was proposed by the Port of Melbourne for the stevedoring and it is still up to the Essential Services Commission of Victoria to adjudicate that, and the final decider is the government of Victoria. Those have not been agreed.

Mr B.S. Wyatt: The article did say that.

Dr M.D. NAHAN: Yes. As the member indicated, it had something to do with a new entrant into the market and some corporate positioning; I did not understand the whole thing. The legislation dealing with the sale of the Port of Melbourne has, as I understand from Mr Pallas, a provision that increases in fees are kept at the consumer price index; any proposed increase beyond that would have to have the permission of the Essential Services Commission, which is the Victorian equivalent of our Economic Regulation Authority and has policies that govern restrictions and capture of monopoly rents. Part of the Port of Melbourne sale is very similar to that of Fremantle, in that the Port of Melbourne will reach capacity in the next 20 to 30 years, and there is already major discussion about where the next port will go—Hastings or somewhere else. The bill does not provide the purchaser of the Melbourne asset any preferential right to bid for the replacement port.

Mr B.S. Wyatt interjected.

Dr M.D. NAHAN: There is no relationship; I think that is what Mr Pallas said. However, there is an undertaking that the new port will not pull throughput away from the existing port. There are all sorts of ways we can deal with monopoly ports. The issue is real, and we will deal with it in an explicit manner. As to the outer harbour, that is another issue, and it is very similar to the Port of Melbourne. We have not made any decisions on that. All I can say is that it is my advice that the outer harbour, whether it is an overflow port or a replacement port, will

Extract from Hansard

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cost between \$4 billion to \$5 billion, which is a substantial amount of money. The question is: who would win? If we were to commit to building that outer harbour port, it would be premature to get it all locked up right now.

As to the death spiral on electricity that I think the member for Gosnells raised, there is no doubt the electricity sector—poles, wires and generators—is under technological challenge, which is good. Technology of this nature is driving costs down and giving consumers control, and whatnot; that is good, but it think it is really premature to lock in the idea of a death spiral on poles and wires. The member for Gosnells is absolutely right: there is a whole raft of things to indicate that we have not seen the end of electricity networks. Take the Tesla factory; there is a really good article in *The Economist* on all that stuff. Most of the batteries made by that plant are actually not for households but to be put into the networks. There is a whole raft of other competitors building up systems and most of them are going for networks rather than households. Something of a fundamental nature is going to happen in this area, as with mobile phones to fixed landlines, but as to where it is going to go and how it is going to pan out, all I can say is that there is a great deal of uncertainty.

The member for Victoria Park raised a good issue about the venture that Synergy has with Lend Lease up north. We had extensive discussions about who should lead it—Western Power or Synergy? There are some problems with Western Power's regulation to enable it to get into generation. All I can say is that Lend Lease, Western Power, Synergy and Horizon Power are all intimately involved in the development and monitoring of that project. That issue shows how we are going to have to change market regulations into the future.

The member for Cannington raised the issue of why we took the step of further investigation into a move from the Economic Regulation Authority to the Australian Energy Regulator. I can assure members that we are not doing that to get a higher weighted average cost of capital and an increase in cost; our focus is to keep electricity prices low for consumers, both households and businesses. It is my strong view that around Australia, including here, we have lost touch with the importance of energy as a competitive input to production, and we have allowed energy prices to go too high, and they are undermining our international competitiveness in the things that we do best—for instance, processing minerals.

Mr B.S. Wyatt: Does the national regulator have a different approach to the WACC than the ERA?

Dr M.D. NAHAN: The ERA has a unique approach. There is a large amount of commonality, but it has a different approach. One of the problems with the ERA is that it does it every four years and it uses the data available in the markets, as it is supposed to, at that time, whereas the AER does a large range of them—I heard about 27 or 28—as a better database. Honestly, the weighted average cost of capital is supposed to be the opportunity cost invested in this type of very secure asset, as the member knows. I cannot see why we have a multiplicity of them.

Mr B.S. Wyatt: The Treasurer may or may not know this, but if we had been nationally regulated over the last five years, has any work been done on what the WACC would have done compared to what the ERA has done?

Dr M.D. NAHAN: The member will remember when Julia Gillard as Prime Minister commented very adversely about the gold plating on publicly owned poles and wires, and she was right. The WACCs were very high in Queensland and New South Wales.

Mr B.S. Wyatt: Higher than ours?

Dr M.D. NAHAN: Yes, much higher. The Australian Energy Regulator has got the message and its WACCs have come right down. There were some recent cases, particularly in the context of the sale of assets in New South Wales. The government of the day and the buyers were rather despondent about the WACC. Some decisions have also been made in the Australian Capital Territory going right down towards what the Economic Regulation Authority has. The member for Cannington was right; the AER is coming right down and who knows what the ERA would have done on the next review. It is not just the WACC, though, but also the base—it is price and base. The evidence I have is that the AER is much more stringent on the allowable base than we are, both with operating and capital expenses. But those are the things that I have asked the Public Utilities Office to look at. There are other reasons for going with the AER, one of which is adopting regulation to the technological change. The AER has done extensive work and collaboration on a national and international basis on how to deal with this issue. The ERA would have to reinvent it, to a large extent. It could piggyback on what the AER has done, but we should be intimately involved in that regulatory structure because the central principle of technology is that the poles and wires are regulated as though they are a natural monopoly. The margins are no longer a natural monopoly; that is the issue. How do we deal with that? We have to learn what our path forward is on that.

This is regulation that allows the government of the day more flexibility in determining the dividends. It adopts what is in the Electricity Corporations Act and recent changes in the Electricity Corporations Act, and it adopts what other states are doing. I might add that policies are implemented in the statement of corporate intent and we

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plan to continue to have the profits as a target and our 65 per cent of the profits as our dividend as our target going forward. This bill does not raise more money but just brings some forward; therefore, this is not a cash grab. I commend the bill to the house.

Question put and passed.

Bill read a second time.

Leave denied to proceed forthwith to third reading.

Consideration in Detail

Clauses 1 to 5 put and passed.

Clause 6: Section 126 amended —

Mr W.J. JOHNSTON: We are changing the basis on which the legislation works to effectively allow the increased dividend. What is the effect of subclause (3)? What additional powers are we granting the minister?

Dr M.D. NAHAN: Subclause (3), as I understand it, is effectively part of the mechanism by which we remove the profit-based tax test. This clause removes the requirement for the dividend payable by a corporation to be calculated by reference to the profits of that corporation. This clause also updates the language used for the procedure for the payment of an annual dividend. This change in language is consistent with equivalent provisions in other Western Australian legislation such as the Land Information Authority Act 2006, for example. It is a precursor of changing the profit-based target, which is really done in proposed new section 127. I hope the member understands that.

Mr W.J. JOHNSTON: What is the limit that can be set in the direction provided here? I am not talking about the amendment to section 126(2) but about the amendments to 126(3)(b). Is there a limit to the amount a minister can direct the government trading enterprise to provide by way of a dividend?

Dr M.D. NAHAN: The limit is set in proposed section 127B titled “Amount of dividend”. This provision refers back to proposed section 127B, which defines the member’s question about the amount of dividend.

Mr W.J. JOHNSTON: I am asking about this because there was some discussion between me and the advisers when I was taking advice on the bill. Let us say that corporation X has \$3 billion in assets and \$2 billion in liabilities. The minister could give a direction to that corporation that it pay a \$500 million dividend and even though that means it would have to borrow that \$500 million, it would be a lawful direction for the minister.

Dr M.D. NAHAN: I take that example. The company would have to pass the solvency test after the dividend. The provision addresses the issue of whether the company’s assets exceed its liabilities and, in that case it is about \$1 billion. The company would then have to pass the solvency test after paying the dividend. One of the reasons that the Electricity Corporations Act moved away from a profit-based dividend was that the Electricity Corporations Act gives the directors more direct personal and fiduciary requirements for the outcome of the business; they have to be directly related to it. This allows them to assess the viability of the business not just in relation to the profits of last year, which is a static known term, but also the solvency and net asset position over the forward estimates. In the member’s example, if the board was of the view that withdrawing that much in net assets from the business could cause a problem in future years, the directors would be required to deny it or indicate to the minister that they did not agree to it.

We will get to this later, but as per the existing treatment, the minister can direct, as he or she can under the current act, corporations to vary the dividend relative to what they suggest. As in the current act, the minister has to obey or follow the same criteria that the board is bound by—the balance sheet test and the solvency test—not just in that year but over the forward estimates. The minister is bound by this act to look at the solvency and balance sheet test in making his or her recommendation, or the deviation from the board. If the minister gives the board a direction, he is currently required to table that direction in Parliament.

Mr W.J. JOHNSTON: I will not labour the point particularly long, but I make the point that in 2001 a revenue measure was included in the 2001 budget that the government did not proceed with. When that revenue measure was not proceeded with, the then government was determined not to fall into deficit and issued a direction to the former Western Power Corporation to increase its dividend. It is interesting to look at that debate. I think the amount was \$20 million or \$30 million. At the time, the then Leader of the Opposition, who now happens to be the Premier, attacked the Labor government for increasing the amount of profit of the corporation that was being returned to taxpayers as a dividend. The minister can see that there is a bit of irony for the Labor Party in considering the amendment that we are being asked to support. Now we are not just linking the dividend to the profitability of the corporation, but going way past that to talk about the assets of the corporation.

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I want to make a point about why the Labor side does not see this as analogous to a private corporation. If there was a large dividend—large dividends are often paid out of capital back to shareholders—but the share value falls by a commensurate amount of the capital return, the shareholders have to decide whether they want to maintain the value of the shares or extract the capital. They can make that decision, but it is not a zero-sum gain. There is an impact on the corporation. Here of course there is only one shareholder—the government. It does not pay the cost of the reduction in the value of the corporation. There might be some minor bit at the bottom of note 75 or whatever in budget paper No 3, but the thing is that a Treasurer, in desperate times, could potentially fill in a budget deficit by getting a capital return from the corporations. The Labor Party does not think it is a good idea to give Treasurers that armament so that regardless of the corporation's capital needs in the future, a Treasurer in desperate circumstances can extract that capital.

During the second reading debate, I understand that the minister, in cross-chamber conversation with the member for Victoria Park, pointed out that if they sell some assets, they will be able to extract the value of those assets. I will probably need a bit more than 90 seconds to complete this conversation. I make two points about that. The first one is the government proposes to sell Western Power's street light poles. That is a dumb idea, yet the government wants to potentially extract the revenue out of that. The minister says, "As we all know, Western Power is in a difficult cash situation." It has a lot of assets but it does not have a lot of cash flow because a lot of its income is in gifted capital. We will watch that with interest. The second point relates to Synergy. The government might sell a power station and then enter a power purchase agreement that obliges the company to continue to pay for the asset even though it now belongs to somebody else. Because the capital has been liberated, the capital can be taken out even though there is now not a debt but an obligation to —

Ms R. SAFFIOTI: I would like to continue to hear the member for Cannington.

Mr W.J. JOHNSTON: I am not going to go all of the five minutes, but I appreciate the additional time.

They sell a power station but they back that power station sale with a power purchase agreement. Synergy is still obliged to buy the energy and who knows what glide path there is on the costs of that purchase for however many years into the future—in exactly the same way it was done for Horizon with the TransAlta station in Port Hedland. So, they still have the obligation for the future, but they have this cash; so the government takes the cash back. The organisation's capital is reduced but its obligations remain the same. It is not a debt of the organisation but it is an obligation for the future. The government is suddenly carrying all the risk in the system by this sort of —

Dr M.D. Nahan: Like we do now with Bluewaters.

Mr W.J. JOHNSTON: Of course, but this is worse. At the moment something can be shut down and not used, like the government is doing with Kwinana stage C, which I have supported.

Dr M.D. Nahan: We shut it down and it will be phased out eventually.

Mr W.J. JOHNSTON: Yes, that is right, and I support that. That means the government does not have any future obligations for that facility. That is why I supported the minister. If the government sells it, suddenly it is locking itself in for whatever the power purchase agreement says because the minister is going to buy the power off the power station if he backs the sale with a purchase agreement, as has been done with the TransAlta station in Port Hedland.

Dr M.D. Nahan: Along with Fortescue Metals Group and others.

Mr W.J. JOHNSTON: One other—FMG.

Dr M.D. Nahan: I will answer that later.

Mr W.J. JOHNSTON: The minister can see that this would allow textbook bookkeeping to get money out of the corporations for desperate Treasurers facing record deficits. The Labor Party does not think it is a good idea to give desperate Treasurers that device. We saw that a couple of years ago when, in our view, the Insurance Commission of WA was improperly withheld from the *Pre-election Financial Projections Statement*. We do not think this should be done. That is why we are particularly opposed to this provision. We think there should be a much more rigorous process than the one being presented in this clause.

Dr M.D. NAHAN: I have a couple of responses. If Kwinana power station was shut down permanently, it would not operate as a power station; it would operate as a provider of water to an adjacent power station. That is a different issue. It has not been decided what will be done with the facility as it is. The member for Cannington's example was the TransAlta project. The government had the choice; it did not sell anything.

Mr W.J. Johnston: It was a PPA.

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Dr M.D. NAHAN: Yes. The government did not sell anything. It entered into a power purchase agreement to purchase electricity for this period. It was also used to provide FMG and, hopefully, other buyers of electricity in the market. There was a strong proposal, as an alternative, that Horizon Power use state debt to do the whole thing itself. I am glad the government did not do that. It came out cheaper and there was less risk to the state in doing this and has met the needs; and energy growth demand was not as large as earlier expected. Sometimes it is better to do it the way Horizon did it by contracting out through a PPA, and sometimes it is not. As the member well knows, one problem with our electricity industry is that in the heady days back in 2006, 2007 and 2008, I think it was Synergy at the time that signed too many PPAs that induced the construction of power plants. That is now leading to excess capacity in the market and is also largely on Synergy's book. We are not in the business of signing any more public-private partnership agreements with the private sector, but that will not prevent any future government from doing so. That goes back to the member for Cannington's case: if a future government were to sell an asset to a firm and, if we follow the member's example, use the proceeds of that sale to buy back the energy under contract and recoup the capital sale through an operating lease, that would reduce the future profitability of that firm—Synergy—and diminish rents so it would be a transfer of value from the future to now.

Mr W.J. Johnston: You could take that out of the company.

Dr M.D. NAHAN: If that were taken out of the company, and that assumes that we would and did. They are the assumptions. I go back to the issue that the member raised at the beginning of his question. Back in 2001 there was an effort—I do not know the particulars of that; I am only reiterating what the member said—that was extensively discussed in Parliament, and appropriately so, and it related to the process and the time and profit that any of those transactions that were going to convert a capital item to a lease arrangement like that, that it should be scrutinised, and will be under this bill.

Clause put and passed.

Clause 7: Sections 127A and 127B inserted —

Mr W.J. JOHNSTON: This is a simple bill so only this clause needs to be discussed and then we are almost done. I want to go to proposed section 127A which will now require interim dividends. I note that the budget papers are prepared on the basis that interim dividends are now going to be required.

Dr M.D. Nahan: In 2014–15.

Mr W.J. JOHNSTON: However, they will also be required in future years, otherwise, minister, there will be one year with no dividend and there will have to be a catch-up. That was the point I was making before. I agree that from now to the end of time no more money will be extracted from the entities because of the interim dividend, but over the five years in this year's budget—because there is the closed year, the 2015–16 year and the three out years—in 2014–15 the 2015–16 dividend will be brought forward to 2014–15 and in 2015–16 the 2016–17 dividend will be brought forward to 2015–16. I agree that in next year's budget there will be no extra cash, but that is only because the cash has already been taken early. That is the problem we have with this: this solves only this year's problem and in the future years they will just pay the interim dividends. I think adjustments can be found in other corporations such as the Water Corporation or another corporation to pay those interim dividends and then there will be those little catch-ups. Two years ago it was the Insurance Commission of WA and this year it is the interim dividend of the electricity companies, Western Power being the most profitable. I am sure the government will scramble for more change down the back of some other lounge in the future. At this stage I am talking only about proposed section 127A; I am not talking about 127B. That is all the government is doing. It is not about public policy. It can be dressed up in all sorts of different ways, but all we are doing is putting an extra \$350-odd million into this year's budget to try to reduce the deficit. I make this point to members who might not understand: the profit and loss of the government trading enterprise does not form part of the budget; it is only the transactions with the government that form part of the budget, and the most normal transaction is the dividend. If capital were paid, that would also be a transaction to the government, but that is not going to happen. The only transaction to government is that dividend and the related payments. This will actually transfer money out of the GTEs into the government's coffers. Particularly in the case of Western Power—we all understand this—some of its income is in the form of gifted assets. No cash comes with the gifted assets, although I think that now there is a bit of cash to cover taxation obligations.

Dr M.D. Nahan: We have changed that policy, so we give them an equity injection equivalent to it.

Mr W.J. JOHNSTON: The Economic Regulation Authority made that decision a couple of years ago.

Dr M.D. Nahan: Well, we made it more recently.

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Mr W.J. JOHNSTON: There was an ERA decision over gifted assets when Hon Peter Collier was Minister for Energy. A lot of developers did not like that; in fact, I was shadow Minister for Planning for a short time and people were writing to me all the time to tell me that they did not like it. That is why I remember it. In terms of the profit and loss, they will have to go out and borrow money because that adds to gross and net debt, but it does not add to the deficit. What is occurring is this one-off transfer of several hundred million dollars out of the GTEs to cover up the budget performance. We criticise that and we think our criticism is justified.

Dr M.D. NAHAN: The member for Cannington is right. This will basically bring forward a part of the dividend that would otherwise be accrued in the future year to this year, and it does that all the way down. It brings more money into the five-year forward estimates, including 2014–15 to 2018–19, by one notch of the cap. We have not deviated from estimating the relatives to profits. That is what we are doing in our statement of corporate intent. The aggregates are related to 65 per cent of the estimated previous year's profits. We have not changed the volume over that five-year period, which is actually a six-year period now, and we have brought it forward one year to accumulate in 2014–15. The other four years and the aggregate are lower than they otherwise would be without the changes in this bill. That is the interim dividends. The interim dividend policies have a couple of issues. One key issue, if I am totally transparent about it, is that if we do sell an asset, rather than wait for one year's dividend, we will have an interim dividend relating to that asset. The policy will also change the base from profit and will now allow us to extract a capital payment for that purpose.

Mr W.J. JOHNSTON: This will be the last time I rise, although my colleagues might want to raise other issues. I now want to discuss proposed section 127B that is also inserted by clause 7. This proposed section will allow corporations to pay dividends out of capital. So long as the company does not go broke—I am exaggerating—has equity and continues to be solvent —

Dr M.D. Nahan: A corporation must have the capacity to pay and, after the dividend, remain solvent.

Mr W.J. JOHNSTON: Yes. As I said when discussing clause 6, our view is that this power should not be given to a Treasurer. I understand that the minister is telling us not to worry because a future Treasurer would have to report what has been done to the Parliament. Parliament had reports about the Muja AB refurbishment, yet the government hid a multitude of sins that were not fully understood until well after the decision was made. Why would we give power to the Treasurer to do something that is potentially problematic for the future interests of the organisation? The Treasurer said that within a certain period—I do not remember whether he specified a particular period—Synergy might be debt free. Cutting the price of electricity would solve that problem.

Dr M.D. Nahan: We might.

Mr W.J. JOHNSTON: That would be a good thing, and we would not need a 21 per cent increase to the electricity price built into the forward estimates. I am sure the minister is just as aware as I am, because the people who speak to him are the same people who speak to me, of the long-running argument and of the number of people in the industry who say that they would accept selling electricity to the franchise market with a consumer price index cap. In fact, they were proposing it two years ago.

Dr M.D. Nahan: They cherrypick like mad!

Mr W.J. JOHNSTON: If it is the franchise market and it is capped at CPI, what is the issue?

Dr M.D. Nahan: They would leave other higher priced ones.

Mr W.J. JOHNSTON: All the people in the bush, of course—absolutely. We can have a discussion on another day about some of the details. All I am getting at is that if the Treasurer reckons that the company does not need to earn the money that it is earning, that is a great plan! Let us cut the price of electricity and give something back to the community, because, as the member for Bassendean highlighted, electricity prices are a problem. We think this legislation is problematic because it allows a Treasurer—not this Treasurer per se—to transfer his problems on to the corporations. We do not think that is a good idea. Imagine what would have been said if this legislation had been proposed by Hon Eric Ripper. It would have been a hue and cry that we would never have heard the end of. This is the principal reason we are opposing this legislation. I had a disagreement with the advisers during the discussion, but I am pleased that it has been resolved. It is my understanding that it would be possible to have a direction that requires companies to borrow money to pay the dividend, which we do not think is a good idea.

Dr M.D. NAHAN: Western Power owns a lot of land that is surplus to its capacity and it owns a big building. Western Power might come to the minister and tell him that it does not need the land and ask him how it should sell it. In the case of Western Power, it would just increase its equity position; that is easy. If Synergy mothballed a plant at Kwinana and sold the land, the evidence to me is that it would cost quite a bit to rehabilitate that land—I do not know—but sometimes an entity would be able to dispose of the asset and get net proceeds from

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the sale. When Eric Ripper set up the market, Verve was on a path to shrink. The commitment was to cap its generating capacity to shrink its market share. That was the whole objective. Verve was not to expand its own generating plant. We share that policy. However, in those circumstances, if it sells the asset, whether it is big or small, why would we keep the capital sale in Verve? If the mandate is not to expand additional generating capacity, it has no debt to offset and it is not going to go into other businesses, why would it stay with Verve or Synergy? There has to be a mechanism in structurally adjusting industries, such as this one, to be able to dispose of an asset. It is just logical. The issue is whether to constrain the government so much that it cannot act appropriately. If Eric Ripper had the Corporations Act as it now stands when he put together the Electricity Corporations Bill 2005, I am sure he would have put this provision in there. He had a real problem. He was going to phase out Verve and he had to dispose of some of those assets. Eventually, he would have had to sell them. I am pretty sure Eric would have liked to dispose of those assets by sale, but he would have had to close them down, as he did with Muja A and B. Then what could he do with the asset? He wanted to get rid of those assets so someone did not come up with a good idea to restart them.

Mr W.J. Johnston: Where is the Premier?

Dr M.D. NAHAN: Members opposite remember the story that Muja A and B was resuscitated because of the Varanus Island incident, which is fair enough.

Mr W.J. Johnston: One of them did.

Dr M.D. NAHAN: Yes, one of them did. The then minister of the day was asked what he would do with the asset.

Mr W.J. Johnston: He said to shut them down.

Dr M.D. NAHAN: No, he entered into an exploration to do all sorts of stuff with it, including tearing it down and putting something else on there. A discussion was entered into with the eventual proponent, which we okayed. The previous minister had the forces at work to keep that plant going. In certain circumstances, such as with Western Power, the assets need to stay with the business. Horizon does not have any assets. Synergy is going through a total restructuring, and we have to be able to pull out some of the capital assets of the business to use them elsewhere. Parliament's task is to ensure that when governments do that, they do it appropriately and transparently and the people know where the money goes. These changes allow that to happen.

Mr B.S. WYATT: The Treasurer may recall that we had a conversation around how this legislation effectively changes the insolvency test and how that relates to the dividend payout ratio. I think the Treasurer said that he would make some more comments on that in consideration in detail.

Dr M.D. NAHAN: This legislation sets the framework with which we can determine the dividend, and that is the asset insolvency test. We then have to come up with a target. We have accepted that we will continue with the profit as a target unless we sell an asset, and then we would include that in the interim dividend. Going forward, in the forward estimates we have no sale of assets. Our forward estimates, except for the shift from 2015–16 to 2014–15, is based on 65 per cent of the profit after tax. That is stated as a statement of policy and supplements what is allowable in this bill. That is stated in the statement of corporate intent of the three agencies.

Clause put and passed.

Clause 8 put and passed.

Title put and passed.