

MUJA AB — KPMG REPORT

Standing Orders Suspension — Motion

MR M. McGOWAN (Rockingham — Leader of the Opposition) [2.48 pm] — without notice: I move —

That so much of standing orders be suspended so as to allow the debate of the following motion forthwith —

That this house condemns the Barnett Liberal government for its failures in managing the Muja AB project, as detailed in the KPMG report tabled by the Minister for Energy today, and calls on the Premier to provide a full and comprehensive response to the report to the house, and explain his and the cabinet's role in this taxpayer-funded financial disaster.

I understand that there has been discussion across the house and that the government is agreeable to giving 20 minutes to each side to debate the loss of \$336 million of taxpayers' money and the details of this particular report. If the government is prepared to agree to that, I will sit down and we will commence the debate, but if it is not, I will set out why this matter is urgent.

Dr K.D. Hames: We agreed to the 20 minutes, but I will talk about that when I move the amendment.

Mr C.J. Barnett: Sit down and we will respond.

The SPEAKER: Members!

Mr M. McGOWAN: This is a matter of some urgency.

Mr C.J. Barnett: Sit down and we will respond.

The SPEAKER: Let the Leader of the Opposition speak and then we will move on.

Mr M. McGOWAN: Ordinarily, if there is an agreement between both sides of the house, there is a courteous arrangement, and we express across the house what the details are. All I seek while I am on my feet is an explanation from the government so I do not have to suspend standing orders again if the agreement is not as I understand it. Is there an agreement for 20 minutes a side under MPI rules?

Mr C.J. Barnett: Sit down, and you will be told.

Mr R.H. Cook: Why are you so arrogant?

Mr C.J. Barnett: Sit down, and the Leader of the House will respond.

Several members interjected.

Mr C.J. Barnett: I mean, you are standing there mute.

The SPEAKER: Right, members! The Leader of the Opposition is on his feet. Let him speak and the Leader of the Opposition can decide where he wants to take it from there.

Mr M. McGOWAN: I will set out why it is urgent, and I will ask if the Premier agrees to set 20 minutes a side as is the normal courtesy in these matters.

Dr K.D. Hames: The Leader of the House has indicated already that is agreeable.

Mr C.J. Barnett: With conditions.

Mr M. McGOWAN: I would like to know what the conditions are.

Mr C.J. Barnett: Sit down, and we will tell you.

Mr M. McGOWAN: Ordinarily, we explain—

Several members interjected.

The SPEAKER: Members! I am not asking anyone else to speak.

Mr P. Papalia interjected.

The SPEAKER: Member for Warnbro!

Mr C.J. Barnett: Yeah, I have too.

Several members interjected.

The SPEAKER: I think the Leader of the Opposition has an idea of what is happening. He can now continue to do what he has to.

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Mr M. McGOWAN: I have the idea that there are 20 minutes a side, with conditions. I am asking what the conditions are. That is a reasonable thing to ask the government. What are the conditions?

Mr C.J. Barnett: Well, sit down and we will tell you.

Mr M. McGOWAN: Mr Speaker, this report sets out a damning indictment of the government's management of this matter, and I am seeking 20 minutes a side under MPI rules; is that the agreement?

Standing Orders Suspension — Amendment to Motion

DR K.D. HAMES (Dawesville — Deputy Premier) [2.51 pm]: For members' information, I am acting Leader of the House, as the Leader of the House is paired, so I am standing in his place. Just to make clear the discussions that were held, the government would like to finish the budget bills today. We have talked about that and we will seek an additional hour to compensate for the loss of time, the idea being to try to get through those budget bills. I move —

To insert after "forthwith" —

, subject to the debate being limited to 20 minutes for government members and 20 minutes for non-government members

Amendment put and passed.

Standing Orders Suspension — Motion, as Amended

The SPEAKER: Members, as this is a motion without notice to suspend standing orders, it will need to have an absolute majority in order to succeed. If I hear a dissenting voice, I will be required to divide the Assembly.

Question put and passed with an absolute majority.

Motion

MR M. McGOWAN (Rockingham — Leader of the Opposition) [2.53 pm]: I move —

That this house condemns the Barnett Liberal government for its failures in managing the Muja AB project, as detailed in the KPMG report tabled by the Minister for Energy today, and calls on the Premier to provide a full and comprehensive response to the report to the house, and explain his and the cabinet's role in this taxpayer-funded financial disaster.

This is the first opportunity the opposition has had in this house to properly raise the issues contained in this report. This report shows in clear language that a financial disaster and a litany of mistakes were involved in the loss of \$336 million of taxpayers' money in the refurbishment of the Muja AB power plants. We have yet to see a proper response from the government and the Premier to the findings of this report. The Minister for Energy was not in the cabinet when these decisions were made—which this report shows and which I will go through shortly—on a false basis, without due diligence, a proper business plan and proper analysis, and which did not take into account obvious risks. He was not there and I do not blame him. I blame the chairman of the cabinet—the Premier—and the minister of the day, Hon Peter Collier. They are the people responsible for what has gone on here and they are the ones who need to stand and answer these questions and provide a comprehensive response.

We are going to have 20 minutes from the government on this, probably five minutes from the Premier, for a \$336 million—at this stage—financial debacle in Western Australia caused by government incompetence. Surely this matter deserves more attention than that from this government, yet that is all we will receive in relation to this matter.

When this matter came before the people of Western Australia in 2009, the people of the state were advised by the Premier that around \$100 million would be spent on reconditioning Muja AB and bringing them up to meet modern environmental standards for coal-fired power stations. The Premier also said at that time —

Can I stress, that \$100 million will be private sector investment, not State Government or taxpayer funded.

The Premier himself, on 11 May 2009 promised this would cost the taxpayers of Western Australia nothing, and now we learn from this report that the cost it is up to \$336 million, and will potentially grow. That is another question the Premier and the then Minister for Energy need to answer. How much further will the cost grow on a power project that was meant to cost the taxpayers of Western Australia nothing whatsoever? How much further will it grow? Those questions have not been answered. The Premier needs to answer those questions.

I will take members through the report. It shows quite clearly the failures involved on the part of the government and Verve. Page ii of the KPMG report, "Muja AB Project Assessment", states —

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There appears to have been no methodical approach to applying a typical investment decision framework to this Project.

Verve bore a disproportionate share of the risk. The report continues —

In particular, had the true commercial value of the Verve financing guarantee been recognised in the context of the Project's risk profile, alternative partners, ownership structures, financing arrangements, and delivery models should have at least been seriously considered.

The report states further —

Verve effectively unilaterally guaranteed all of the critical financing, third party supply and offtake contracts underpinning this Project.

In other words, the executive summary of the report says that no business case was presented to government; there was no methodical approach of applying investment decisions; there was an unfair playing field, or an asymmetric risk profile between the parties; and that Verve undertook to guarantee all of the matters, such as financing, off-take contracts and the like.

Further on, the report is even more critical of the government, not Verve. At page 9 it states —

There is no evidence that a clear Government or Verve policy existed in terms of an approval framework for offering guarantees in the context of this Project.

There is no evidence that a clear government or Verve policy existed—the government, not Verve. While the government rolls out and blames Verve, the report is quite clear that the government bears some responsibility for what has gone on.

I recall, in the debates on this matter back in May or June, the government asking how anyone could have known about this risk. How could anyone have known about this engineering risk? This report says the government should have known. Page 15 of the report states —

In view of the subsequent overruns of time and cost due to extensive replacement of boiler waterwall tubing ... there has been a lot of conjecture as to whether this was foreseeable at the scoping stage.

The short answer, with some hindsight, is probably yes.

The report says that the engineering problems the government faced were foreseeable.

Therefore, the government cannot ask how anyone could have foreseen these things, which is what it asked in May and June, because the KPMG report states that it was a foreseeable risk. The power plant has been operating for 50 years. Surely, before undertaking a refurbishment of a 50-year-old power plant, alarm bells must have rung in cabinet to signal that the government should have the engineering problems checked before signing off on a deal that would cost Western Australian taxpayers hundreds of millions of dollars. Surely, the alarm bells rang in cabinet to signal that there might be an issue. The KPMG report exposes the government for failing to do due diligence, for not having a business case, for not asking the right questions of the minister and for entering into arrangements with companies that clearly were not up to the tasks with which they were entrusted. The report exposes the government's litany of failures.

The Premier has not answered any questions about this issue today. The Premier should be handling this matter; indeed, he should have opened it up for debate. The Premier should have gone to the front steps of Parliament House to answer questions from the state's press. Instead, the Minister for Energy rolled out there, released the report at the same time he arrived there, and said that there was nothing to see and ran back inside the building. That is exactly what happened. The minister did not give us time to properly scrutinise and digest the report. He did not give members of the state's media a chance to examine it and ask informed questions. The minister ran outside, released the report, did a press conference, and then scurried back into the building—with the Premier nowhere to be seen. It is a bit similar to rolling into 6PR's studios and ordering the television cameras out. This is about a lack of scrutiny and a failure to allow a proper examination of what the government has done. The government is running away and arrogantly hiding from the public on a matter of importance in Western Australia. Why have we not received a proper explanation of this issue? The government has said that all this is in the past and that it involved the Verve board. It was those people back then. It is has said that it has taken responsibility for the issue and copped it on the chin. What responsibility? Responsibility without consequence is not responsibility at all. There needs to be a consequence for the government's massive failure and massive loss of taxpayers' money.

The person responsible for this, Hon Peter Collier, must face consequences. He is to the opposition a gift that keeps on giving—incompetence writ large in education and energy—yet he survives and continues to prosper in this government. Why is that? He is a senior factional heavyweight in the Liberal Party; it is indisputable. He has

been promoted despite the greatest incompetencies of the last 20 years inside a government. He lost \$1 billion in the energy portfolio. People are losing their education jobs even though he promised them that they would not lose those jobs. Why is it that there is never a consequences for failures inside this government? In fact, the people who have been sacked have not done anything as remotely as serious as the actions of Hon Peter Collier. For example, the Deputy Premier—correct. He did not lose \$1 billion. Admittedly, I do not think he did the right thing, but he did not lose \$1 billion. If the Deputy Premier wants to admit that he has been claiming \$1 billion in claims and living away allowance, please tell us now because I think that would be an issue. The Deputy Premier was sacked from a portfolio because of the allowance issue, which, I think, involved \$4 000 or something of that nature. However, Hon Peter Collier loses \$1 billion and he is promoted! What sort of standards are those? What sort of a way of governing cabinet and the state is that? The Premier needs to stand up and answer questions. Where are the consequences for the minister? Why has this taken place?

The Premier should release all the documentation provided by Verve, the Office of Energy and Treasury that guided the government in its decision to continue with this refurbishment. Until we see such information, we do not know whether the government has made the right decision. The Premier must release all the information, not only the KPMG report. He must release all the advice the government received so that the opposition and the public can make a proper judgement about this issue. The government must come clean and explain, most of all, how those people who in the course of their ministerial career have made such a fundamental mess of such a serious matter and lost so many Western Australian taxpayer dollars can assume responsibility without any consequences.

MR W.J. JOHNSTON (Cannington) [3.08 pm]: The KPMG report is a damning report. Let us get a few things out straightaway. Any member who stands in this chamber and states that the report suggest that the project will make money over its life is either lying or has not read the report. Any person who stands in this place and says that would be lying. The report does not say that the project will be profitable. Rather, it says that if all the money spent on the project up to 31 August 2013 were discounted, the project would be cash flow—positive in the future. If a minister or any other member stands in this chamber and claims that the report states that there will be a return on the investment of taxpayers' money, they are either lying or they have not read this report. This report makes it clear that that statement is untrue. It is interesting that the Minister for Energy went out to the media today and made that statement. I do not know why he said that. I am not accusing him of lying—rather, I am making the point that he made a statement that is not true. Either he knew it was not true and has to bear the consequences in the media or he has not read the report. They are the only two alternatives. No-one could read this report and then say that this project will return its investment to the taxpayers. The executive summary on page 5 of the document shows that that statement is untrue. According to KPMG, the project will never return its investment to the taxpayers of Western Australia. Anybody who stands and claims differently has either not read the report or is not telling the truth—and is probably deliberately not telling the truth. That claim cannot be made regarding this project.

On 8 February, Hon Peter Collier said on ABC television news —

We did have an issue with the boilers and that was a fundamental issue that was unforeseen.

We now know it was unforeseen because Minister Collier did not do his work, despite the fact that he was the minister responsible and he was paid to do so. We now know that the project planning was completely inadequate. This report makes it clear that there was no business case and that the engineering works were inadequate. I am not inventing those comments. I have read the KPMG report and I am now pointing these things out to the chamber. Every occasion on which the Minister for Energy rose in this place and said that the government did due diligence and looked at all these things was not correct. Maybe he simply did not know the truth. But now that he has the benefit of the KPMG report, he cannot repeat those statements in this chamber because they are untrue. He knows they are untrue or he has not read the KPMG report. He can take only one of two positions now: either he has to tell the truth or suffer the consequences of his behaviour. Every single page of the report is damning of the government's procedures. I make the point that government members are relying on documents that are not before the media and not before the Parliament of Western Australia. They said that they were relying on a Verve report that is not included in the KPMG report. That is exactly what the Minister for Energy said in question time today. Well, table the Verve advice! There must be a proper accounting for this. This matter is not at rest. This is not the end of this debate. There must be a proper and thorough investigation, until we know every fact about this matter and exactly what is happening here. This government is protecting the guilty.

When the Premier came out of the cabinet meeting on 11 May 2009 and told the media about his decision to have Muja AB refurbished, at no cost to the taxpayers of Western Australia, he did not talk about Verve Energy. In fact, Verve Energy was not mentioned by the Premier, other than to say that Verve will contribute to the power station. In that media conference, the Premier did not talk about Verve; he talked about the private sector.

The Premier now blames Verve for these decisions. These are decisions that the Premier made. He said that cabinet had decided these things. That means, according to the KPMG report, that cabinet made the decision to invest this money, with no proper procedures for the guarantees that the government was giving to the private sector, and with no proper procedures to do the required engineering analysis. We know all these things, because they are in the KPMG report. Yet the former Minister for Energy could lose all this money for the state, and face no consequences. Western Australia is the only state in the nation in which a minister has not been held to account for wasting taxpayers' money. Why is that so?

DR M.D. NAHAN (Riverton — Minister for Energy) [3.11 pm]: It is a pleasure to respond to this motion. This is an important matter. I would encourage everyone to read the two reports that we tabled today. They are lengthy and detailed. The engineering report from Parsons Brinckerhoff is particularly detailed. These reports arise from a decision made in June by the government to suspend the refurbishment of Muja AB, because we were not confident about the assessment provided at that time, particularly with regard to the engineering risks associated with that project. One of the questions raised is: are we confident now about that refurbishment? There are always risks associated with a power plant, particularly one of this age. The Parsons Brinckerhoff report states —

There are a range of risks associated with the operation of any thermal power plant that tend to increase with age.

This is an old plant. It continues —

Based on the documentation reviewed, —

Parsons Brinckerhoff had access to all of the documents, from the beginning of this project until now —

and assuming that the required changes to the boiler lay-up are undertaken, —

Those changes are planned —

Parsons Brinckerhoff is not aware of any substantive technical reasons that should prohibit the return to service and operation of Muja A/B Power Station.

There is also a report from KPMG that analyses the decision-making processes from the beginning of the project until now, and provides a financial assessment of the project going forward. In fact, KPMG took a very conservative approach, at our request. It did not include all the benefits that might accrue from this project. It looked at the project from both a 10-year and a 20-year perspective. It did not take into consideration the sunk costs; that is, the costs already incurred. That is appropriate, because the decision that we have made is to go forward. The two decisions that we faced were: do we finish the project, or do we not finish it? We could have done a number of other things. We could have asked the private sector to come in and finish the project. But the advice that we received was that that would be very complicated and would probably not be effective. We could have sold the whole plant. But we were advised that would undermine the value of the plant, because no-one would want to buy a partly finished power plant. Those were the two decisions that we faced.

We provided KPMG with all the data, and it took a very conservative approach. The assessment by KPMG was that the cost of completing the refurbishment would be between \$50 million and \$90 million if we looked at a 10-year investment horizon, and that the benefits of going ahead would be \$52 million over 10 years or \$96 million over 15 years. That is a substantial amount of benefit. Therefore, given the advice of the independent engineers, and the advice of KPMG, the government decided to complete the refurbishment of the plant. That will entail a total cost of \$336 million. That is consistent with what is in the budget.

Mr M. McGowan: Do you guarantee that?

Dr M.D. NAHAN: The Leader of the Opposition, of course, being a whirling dervish, has said that the loss will be \$336 million. That amount of \$336 million is the cost of refurbishing boilers 1 and 2; boilers 3 and 4 are operating. We are making that investment in order to generate electricity. The total capital investment for that refurbishment will be \$336 million, and that will enable the plant to operate for the next 10, 15 or 20 years, thereby enabling us to generate and sell electricity. It is not a complete loss.

I now go to the history of this project. Muja AB were shut down after the disaggregation of the electricity system to reduce the capacity allowed to Verve Energy. Immediately after the plant was shut down, Verve looked at what it should do with the plant, because it faced the choice of either doing nothing with the plant or spending \$20 million to refresh the plant. Verve went out for tender for the refurbishment of the plant, and it got a lot of tenders. However, it was approached by—or it approached; I am not sure—a group from Victoria call Kempe Group, which proposed that Verve enter into a 50–50 joint venture whereby Verve would donate the plant and Kempe would refresh the plant for a fixed-price contract. That would enable Verve to avoid the cap that had been set by the previous government, because it would be a private sector venture. It would also enable Verve to avoid the \$20 million cost of having to tear down and refresh the plant. Verve then went to the government of

the day and said this was the approach that it had chosen to take, and the government gave the tick off to that. Verve and Kempe then started their negotiations, which took some time. They then signed a memorandum of understanding under our government, and in 2009 we gave them the go-ahead to do this. That is the process that was undertaken. That was a faulty process, because clearly Verve was trying to get around the cap and maximise the value of its asset, which had been shut down prematurely.

As part of that context, there was the gas explosion at Varanus Island, and the plant was turned on again for about nine months, which saved our bacon at that time. There was a concern that this state was placing too high a reliance on gas, and we therefore needed to have this coal-fired power station. At the same time, the market was saying that we needed a substantial increase in electricity-generating capacity. There was also a discussion about how we could address greenhouse gas emissions, and a concern that we would not be able to build any additional coal-fired power plants. Therefore, the aim was to refresh this plant so that it could operate for another 10 or 15 years, and that would buy time until new technologies were developed for more efficient and less polluting coal-fired power stations. These were all legitimate discussions that were taking place at that time. So there was a large amount of pressure to do this. There was also a desire by Verve to go to the private sector in order to get around the cap.

The engineering report makes it clear that Kempe was not a suitable joint venture partner. It did not have the financial capacity to wear its 50–50 share of this project, and it did not have adequate experience in refreshing these types of plants.

Mr F.M. Logan: So why was that not recognised?

Dr M.D. NAHAN: I do not know. Why did the previous government not recognise that? It gave them the tick to enter into negotiations! You were the minister at the time! You gave them the tick! You gave them the approval!

Mr F.M. Logan: This press release says that nothing was happening until August! Get your documentation out!

The SPEAKER: Thank you, members! Member for Cockburn, I call you to order for the first time. Minister, I call you to order for the first time as well. This debate has been informative and sensible, and I do not want it to degenerate.

Dr M.D. NAHAN: There is no doubt that Kempe was an inadequate joint venture partner. It was agreed to set up a joint venture as this was the only way that Verve could enter into this because the cap prevented it from operating this plant in any other way. That was the only way. Verve entered into a joint venture with Kempe and set up the Vinalco joint venture. The plan was for the joint venture to spend \$175 million to rebuild the plant, including engineering, capacity credits and other linkages. It was to cost \$175 million. There is an idea that it was going to be a zero cost; I do not know how an old plant can be refreshed for zero cost. If members opposite know, let me know. The expenditure was to be done in a joint venture partnership funded by a loan from, I believe, the National Australia Bank—one of the banks. It was not coming on to the state's books. It was to be a 50–50 joint venture for the total cost of \$175 million. Things were going pretty well until Kempe ran into financial problems because it signed a fixed-price contract to refresh the plant but the project went way over cost by 20 per cent to 30 per cent, and Kempe was struggling. In July last year, there were blowouts in the heating tubes. These incidents are all documented in full.

The engineering report and the KPMG report raised the issue of whether adequate due diligence was undertaken to ascertain whether or not we should have known about the heating tubes. It was a big issue. The member for Cannington suggested that Hon Peter Collier, the then Minister for Energy, should have questioned Verve about the other reports and that he should have known.

Mr W.J. Johnston: What about the business case?

Dr M.D. NAHAN: The report actually says that there was not an adequate synthesised business case. A large amount of research was done on engineering and other aspects of business but Kempe did not pull together a coherent synthesised business case. It was a faulty process. There were faulty processes in the decision making. The report asks whether with hindsight they should have known about the tubes and says, probably, yes. That is what the report says and we have put it out there to be looked at. I am not going to question that. Hindsight is a powerful and nice thing that I do not have the benefit of right now. In hindsight, would I go down this route? No, I would not, but I had to live in the present and in the future.

Were there faulty processes in the business decision and in the joint-venture process? Crucially, were there faulty processes in Verve underwriting the loan? There are two reasons for this: firstly, Kempe, the joint venture partner, did not have adequate credit worthiness or the fiscal strength to enter into a deal like that. Secondly, Muja AB is part of a wider power station, including Muja CD, and it is very difficult to extract Muja AB from Muja CD as they share all sorts of facilities in a common-lease and common-environment agreement. Verve did

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underwrite it, and that is the key problem. Verve underwrote a weak joint-venture partner and guaranteed the loan.

The question is: should that have been done? No. Should the government have been informed about the strength of the tubes and that they would cause a blowout? All we can say is that Verve has never had that experience before. I might add that the tubes rusted from the outside, not the inside. All sorts of probes were sent down the tubes to look for corrosion inside. Hindsight is a powerful thing; they should have done it. Should the minister of the day micromanage the decision-making process about the engineering assessment? No.

Mr B.S. Wyatt: Should the minister of the day require a business case?

The SPEAKER: Member for Victoria Park!

Dr M.D. NAHAN: Was there an adequate business case? No. Was there a business case? Yes, there were numerous ones. I might add all the minister's advisers and Treasury ticked off on it, otherwise it would not have been done. Strangely enough—I bet there was an assessment of this—the Auditor General looked at the sharing of risk between Verve and Kempe and gave it the tick.

Mr W.J. Johnston: What a load of rubbish!

The SPEAKER: Member for Cannington!

Dr M.D. NAHAN: We have learned a large number of lessons from this but we have to go forward. This report says that the wisest thing is to finish the plant as forecast in the budget and it will give the state a net gain of between \$50 million to \$90 million over the 10 or 15 years of the project. That is what it says. If members opposite do not agree with that, they will have to explain why they do not. Is there a political risk with this? Yes. What happens if something happens to the plant? I cannot guarantee engineering matters but I have to take responsibility for this. That is called leadership.

Mr F.M. Logan: Take responsibility and resign. That is the Westminster thing to do.

Dr M.D. NAHAN: Really, take responsibility —

The SPEAKER: Minister.

Dr M.D. NAHAN: That is an important thing to do. This report goes into great detail about what was and was not included. Firstly, it states quite clearly that it took a very considered approach and considered the portfolio-related benefits. The business will be operated, in part, with Verve's kit within the whole Muja operation. There are huge benefits in operating a plant as part of a portfolio. Secondly, it is built in the integrated Muja AB and CD facility and can share water, ash handling, transmission lines and all sorts of things. When it operates as part of that unit, it shares some of the fixed costs and maintenance facilities. These are substantial and are not included in the report. There is also the potential to trade on the short-term energy market that is not included in the report. KPMG was asked to be very conservative and it did what we asked it to do. However, if these are added back in, Verve estimates that, over 15 years—assuming it is 15 years—the profit will cover —

Several members interjected.

Mr W.J. Johnston: KPMG says to assume it is 10 years. That is what KPMG says. That is exactly what KPMG said. You should not lie to the chamber.

Dr M.D. NAHAN: The member for Cannington should see an optometrist.

Withdrawal of Remark

Mr J.M. FRANCIS: The member for Cannington has again just accused another person in this chamber of lying and telling lies to the chamber, for the second time today. I ask the Speaker to direct him to withdraw.

The SPEAKER: I have told members before that withdrawal of remarks are to be heard in silence. I call the members for Cannington and Cockburn to order for the second time and I call the member for Armadale to order for the first time.

I did not hear what the member for Cannington said. If he did say anything untoward, please withdraw. If not, the member is entitled to respond.

Mr W.J. JOHNSTON: I did not say that the member was lying; I said that the member should not lie. That is clearly within the standing orders.

The SPEAKER: Withdraw that statement.

Mr W.J. JOHNSTON: I withdraw.

Debate Resumed

Dr M.D. NAHAN: I refer to table 3.4 “Summary Indicative Valuations” in the KPMG report, which have options of 10 years and 15 years. The KPMG report looks at two scenarios for the options that were explored, and they are 10 and 15 years. Point taken, member for Cannington.

Mr W.J. Johnston interjected.

The SPEAKER: I do not want any further interruptions.

Dr M.D. NAHAN: Anyway, KPMG looked at 10 and 15 years.

I go back to the issue. According to Verve, if we include the ancillary benefits to Verve, it expects to cover the total costs. The reason is that when the project first came to the government, it was a ripper; it was going to give a substantial multi-hundred-million-dollar benefit. Most of that, if not all of it, has been eroded by these overruns.

Mr W.J. Johnston: According to this report, 100 per cent has been eroded.

Dr M.D. NAHAN: Yes, but the task we have is going forward. We will commit to completing the project—total capital costs of \$336 million. We will de-risk it. We will sell down at least 50 per cent of it.

Mr M. McGowan: You’re going to de-risk it?

Dr M.D. NAHAN: Yes; de-risk means getting it up and operating. We will de-risk it and we will sell down 50 per cent. That would allow us to take the \$140 million —

Ms M.M. Quirk: De-risk means privatising.

The SPEAKER: Member for Girrawheen!

Dr M.D. NAHAN: It is a private venture, member—it always was!

Several members interjected.

The SPEAKER: Members!

Dr M.D. NAHAN: Anyway, that will allow us to take the project-based debt off the books, reduce the state’s exposure to it, operate it for a period and defray if not all, most, of the expenditure to date.

Mr W.J. Johnston: No; that’s not true!

Dr M.D. NAHAN: The member for Cannington lives in a different world from anybody else.

Several members interjected.

The SPEAKER: Members!

Dr M.D. NAHAN: The member walks around with blinkers covering his eyes.

Mr W.J. Johnston interjected.

The SPEAKER: Member for Cannington!

Dr M.D. NAHAN: But that is the decision. There are some ancillary benefits to this in that this will continue the operation in Collie. It will create 120 to 130 jobs in the construction sector during the next six months or so. It will also create 40 ongoing jobs in the operation of the power station. That is not insignificant. It will also, of course, keep activities going at Premier Coal. So, there are some ancillary benefits that people opposite, except the member for Collie–Preston, continue to ignore or avoid—strange that. This brought us a large number of lessons not only about decision-making, but also the whole electricity system.

Mr B.S. Wyatt interjected.

The SPEAKER: Member for Victoria Park!

Dr M.D. NAHAN: The structure of the system needs to change. We curtailed Verve to force it down to off-balance sheet transactions solely in the private sector to avoid a cap, which led to distortionary decisions. We will not repeat that; we will not enter into these off-balance sheet transactions in the future.

Several members interjected.

The SPEAKER: Members!

MR M. MCGOWAN (Rockingham — Leader of the Opposition) [3.33 pm] — in reply: This motion is quite clear. It called on the Premier to provide a full and comprehensive response to a huge loss, a taxpayer-funded financial disaster, yet we had to endure a 20-minute rambling ramshackle performance by the minister over there, full of hopeless rhetoric. We did not hear from the Premier about this massive taxpayer-funded loss of money. Surely, the Premier of the state should have treated this matter with a little seriousness before the house

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Mr Mark McGowan; Dr Kim Hames; Mr Bill Johnston; Dr Mike Nahan; Mr Joe Francis

today. Surely, the Premier of the state, who made the claim to the public of Western Australia that there would be no cost in this project, should have explained why there was a massive cost. Surely, the Premier should have taken that responsibility, yet he declined in his cowardly way to stand and address this issue. A cowardly —

Withdrawal of Remark

Mr J.M. FRANCIS: I have a point of order.

Several members interjected.

The SPEAKER: Thank you very much, member for Warnbro! I am just going to repeat myself: points of order are to be taken in silence. Can I hear your point of order?

Mr J.M. FRANCIS: Thank you, Mr Speaker. The member for Rockingham, the Leader of the Opposition, knows very well, as he has been here a long time, that it is unparliamentary to refer to someone in that language. I ask you again to direct him to withdraw.

Mr W.J. JOHNSTON: The member said that he acted in a cowardly way; he did not say that he was a coward. But even if he had, it still would have been parliamentary.

Several members interjected.

The SPEAKER: Members!

Ms M.M. Quirk interjected.

The SPEAKER: Member for Girrawheen, I have told you that points of order are to be taken in silence.

Mr W.J. Johnston: What about all those people on the other side of the chamber?

The SPEAKER: Member for Cannington, I am now going to call you for the third time. If you want to discuss it with me afterwards, you can. I just ask everybody to temper their language.

Debate Resumed

Mr M. McGOWAN: The Premier in a cowardly fashion failed to answer the questions posed by this report. This report is a damning indictment on the government. The least the Premier could have done is stood and explained why he made that decision, how this matter came to happen in the way it did and answer the specific questions contained within this report. Why was there no comprehensive business case? Why did the Premier allow a 50-year-old power station to be refurbished at massive cost when he said that it would not cost the taxpayers of Western Australia anything? This has been a scandalous affair! It is a stain on the state, a stain on the Western Australian government and a stain on this Premier and he does not even have the courage to stand in this house and explain himself.

Division

Question put and a division taken with the following result —

Ayes (18)

Dr A.D. Buti
Mr R.H. Cook
Ms J. Farrer
Ms J.M. Freeman
Mr W.J. Johnston

Mr D.J. Kelly
Mr F.M. Logan
Mr M. McGowan
Mr P. Papalia
Mr J.R. Quigley

Ms M.M. Quirk
Mrs M.H. Roberts
Ms R. Saffioti
Mr C.J. Tallentire
Mr P.C. Tinley

Mr P.B. Watson
Mr B.S. Wyatt
Ms S.F. McGurk (*Teller*)

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Noes (34)

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

Pairs

Mr D.A. Templeman	Mr G.M. Castrilli
Ms L.L. Baker	Mr A.P. Jacob
Mr M.P. Murray	Mr J.H.D. Day

Question thus negated.