



Queensland
Government

Office of the Minister for Energy and Water Supply

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26 November 2013

Mr Neil Laurie
The Clerk of the Parliament
Queensland Parliamentary Services
Parliament House
George Street
BRISBANE QLD 4000

Dear Mr Laurie

I refer to your letter of 31 October 2013 which included a copy of Petition No. 2142-13 lodged in the Queensland Legislative Assembly.

The Petition draws to the attention of the House, the potential for closure of Ergon Energy depots as a result of the government's in-principle agreement to recommendation 23 of the Independent Review Panel (IRP) on Network Costs.

Consistent with our social contract with all Queenslanders before the 2012 State Election, the Newman Government is working hard to deliver reliable, cost-effective and more affordable electricity services for households, farmers and businesses. This is necessary to reduce the impact of rising electricity prices on the cost of living and on the cost of doing business.

Right now, removing the Carbon Tax is the biggest – and quickest way to reduce electricity bills and other cost-of-living pressures throughout Australia. Our state's Federal MPs and Senators could very easily deliver a significant - and immediate - cut in electricity bills by supporting the new Federal Government's efforts to remove the carbon tax and wind-back economically irresponsible green schemes. Otherwise the Labor-Greens Carbon Tax and renewable energy target program will continue to hurt Queensland businesses, farmers and households - acting as a competitive disadvantage - adding about \$260 to average household electricity bills.

Unlike what happened in the past, the Newman Government's commitment to reduce the cost of living pressures through the energy sector is being delivered in a strategic way. Like most Queenslanders, the Newman Government recognise that making a meaningful and long-lasting change in the way the state's biggest publicly-owned energy companies have operated for over two decades will also require a significant multifaceted reform program that simply cannot happen overnight.

Some of the government's immediate actions focused on short-term cost-of-living relief, like the promised one year freeze of the major domestic tariff (Tariff 11) at 2011/12 prices, while other actions focus on medium term cost of living relief goals like, for example, establishing the Interdepartmental Committee (IDC) and IRP, to assess how best to deliver a more affordable, efficient and sustainable electricity industry. Importantly, the Newman Government is also focused on the longer-term, like for example, asking Queenslanders to help the government develop 30-year plans for our future electricity supply.

The Queensland Government remains committed to reforming Queensland's electricity sector to address rising electricity costs. The government accepted in-principle recommendations by the IDC (including IRP proposals) to improve the efficiency of the electricity distribution businesses.

The IRP report included a recommendation (refer recommendation 23) within the Efficiency of Direct Cost Activities section for Ergon Energy to implement:

"In the Ergon Energy service delivery area, consideration be given to the adoption of a Local Service Agent model for depots in the range of 8 to 15 employees where there would be improved services to customers, service delivery would be more cost effective and where there is broad support amongst staff for the adoption of this type of service delivery model."

The government's response to the IRP recommendation 23, and included in the IDC report, was:

"The government has accepted this recommendation and will refer to the Queensland Commission of Audit Implementation Taskforce for implementation as part of the government response."

There has been no decision by the government, or Ergon Energy, regarding the adoption of a local service agent model, or to close any regional depots. Any further exploration of the use of local service agents would require consultation with employees, unions and local stakeholders in line with the provisions of the Ergon Energy Union Collective Agreement (EEUCA).

Claims that the Newman Government is planning to close depots and force workers out of their jobs are not true. Notably, the existing EEUCA for electricity sector workers contains provisions that prevent any forced redundancies and 97 per cent of Ergon Energy employees are covered by this agreement.

It is worth noting, however, this petition's sponsoring Member – the Member for Mulgrave (Curtis Pitt MP) – was part of a Labor Government that vigorously pursued Queensland's biggest ever public asset sales program. Indeed, the Member for Mulgrave was such a big advocate for Queensland Labor's public asset sales – he even produced a "MYTHBUSTERS #2 – Sale of Assets" fact sheet promoting the benefits of privatisation:

"FACT: Privatisation does not always mean a reduction in worker numbers.....Some businesses need to grow beyond what the taxpayer can afford and they need funding to remain competitive and commercially viable."

More recently, Labor powerbroker and Australian Workers Union national secretary, Paul Howes has seemingly borrowed Queensland Labor's asset sales pitch for an opinion piece in the *Australian Financial Review* last month:

"We simply cannot borrow and spend our way out of the infrastructure hole we have dug for ourselves without creating an unsustainable debt burden....Labor must properly recognise the benefits of social privatisation and start working to convince the public accordingly."

The Newman Government recognises the importance and contribution of regional Queensland to the state's economic performance.

The government's support for regional Queensland includes a commitment to maintaining the Uniform Tariff Policy (UTP) to ensure that residents in regional Queensland pay the same price for electricity supply, regardless of their geographic location in Queensland. The UTP represents a subsidy to regional Queensland energy customers budgeted at \$620 million for 2013–14.

This government is giving back to regional communities through its Royalties for the Regions initiative. Over a four year period that started in 2012, the program will invest \$495 million in new and improved community infrastructure, roads and floodplain security projects that benefit those who live, work and invest in our resource regions.

This government has made a commitment to combat rising electricity costs and is developing a strategy to help ensure Queensland's electricity supply system remains secure, reliable and cost effective. However, unlike previous Labor Governments, the Newman Government has not privatised any government owned corporations. And, unlike previous Labor Governments, the Newman Government has kept its commitments.

Yours sincerely



Mark McArdle MP
Minister for Energy and Water Supply