



Office of the Minister for Energy and Water Supply

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CTS 26692/13

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26 November 2013

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

Dear Mr Laurie

I refer to your letter of 30 October 2013 enclosing a copy of Petition No. 2143–13 lodged in the Queensland Legislative Assembly.

The Petition draws to the attention of the House the future operation of the electricity supply networks to Queensland's isolated communities.

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 Newman 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 Independent Review Panel (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 IRP report included a recommendation (refer recommendation 29) within the Efficiency of Direct Cost Activities section for Department of Energy and Water Supply to implement:

"The government call for expressions of interest from the private sector to operate and maintain the isolated supply assets in Queensland as an independent power producer."

The government's response to the IRP recommendation 29, and included in the IDC report, was:

"In relation to recommendation 29 of the IRP report (open tender arrangements for supply to the isolated networks), the government notes that consultation will need to occur between Ergon Energy and the parties to its Union Collective Agreement about the likely effect on employees. The government will need to consider the outcomes of the consultation before making a final decision."

The government supports the need to improve the efficiency of network costs and transparency of the CSO. However, a final decision will not be made until the government has considered the outcomes of consultation between Ergon Energy and the parties to its Union Collective Agreement about the likely effect on employees."

There has been no government decision on any changes to how and by whom electricity will be supplied to the isolated communities.

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. Notably, 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:

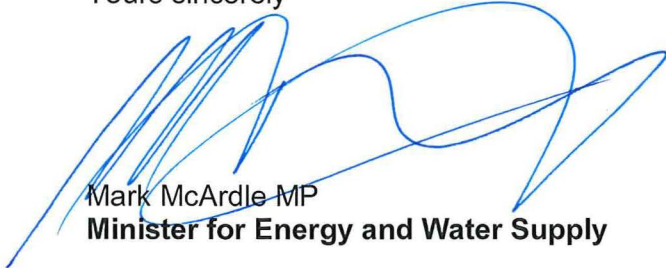
"We simply cannot borrow and spend our way out of the infrastructure hole we have dug for ourselves without creating an unsustainable debt burden....Labor must properly recognise the benefits of social privatisation and start working to convince the public accordingly."

I am pleased to advise, The Queensland 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.

The 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

A handwritten signature in blue ink, appearing to be 'Mark McArdle', with a large, sweeping flourish extending to the right.

Mark McArdle MP
Minister for Energy and Water Supply