

HANSARD

9 MARCH 2010

**FAMILY HOUSEHOLD COST INCREASES**

Matter of Public Interest

**Dr M.D. NAHAN:** Thank you very much, Mr Acting Speaker. This debate as I hear it—we have heard it many times before—is about how well the government has managed the downturn and the budget, and how best we can prepare for the next boom or growth phase.

If we look back at the last 18 months, it was a very uncertain time. We did not know how bad things were going to get. It was tough. Anyone who tried to manage their finances during that period of time would know how hard it was. The government stated clearly that one of its priorities was to undertake —

**Mr D.A. Templeman** interjected.

**The ACTING SPEAKER:** Order! The member for Mandurah will be going to more than tea if he does not keep quiet.

**Dr M.D. NAHAN:** Thank you, Mr Acting Speaker. I cannot think through his piercing voice. One priority was capital works. If we are to prepare for the next growth phase—as the Leader of the Opposition has said we should, and he is right—the most important priority is to put our efforts and our limited revenue into capital works; housing, both public and private; and urban redevelopment, particularly in the north of the state, in the Pilbara. That is absolutely vital.

Yet that is something that the previous government completely ignored. We also need to put revenue into the provision of ports, gas hubs and other infrastructure. That is absolutely vital. That is how we prepare for the next boom. We also need to do that during a downturn, because during a downturn the construction sector is often hit hard, so that enables people to remain employed. I think anyone who looked at objectively at what the government did during that time, given the uncertainty, would give the government a big tick.

Another issue is the deficit. Our government inherited a very large surplus, as the previous government had had very revenue flows. However, revenue flows collapsed because of lower commodity prices and lower commodity sales. The decision we had to make was whether we would go into deficit as all the other states had done, bar Victoria. The Queensland government is in so much trouble that it is selling Queensland Rail, without disaggregation.

The Queensland government is selling the whole lot as a monopoly, because it is desperate for money. When people mismanage debt, they get desperate and they do silly things, as Queensland is doing now. During that period, we had to make some tough decisions. Yes, we increased charges in certain cases. Yes, we pulled back tax cuts that we had proposed. But we did that because we had to draw a line in the sand. It is difficult to have a small budget surplus.

We get to how difficult that is going to be, particularly with the Labor Party's friends in Canberra.

The issue of electricity charges of course started many years ago—in 2001. The new Gallop government at that time decided to disaggregate and reform the electricity sector. Some sectors, particularly the contestable market sector, and large firms, have been a success. It has allowed competition. It allowed private sector investment. It has worked. The problem lies with the south west interconnected system, the non-contestable sector. The idea was that we would get new entrants into the market and be more contestable as new demand grew. Effectively, it did not happen—that is the problem.

**Mr E.S. Ripper:** Synergy says it saved \$1.6 million in its procurement. That is what it told the house.

**Dr M.D. NAHAN:** I think Synergy and others, because they were haemorrhaging money, were desperate and did certain things. The real problem was that during the disaggregation period, the price of fuel went up. Fuel, whether it is coal or the whole electricity industry, is determined by the world oil price. It went from \$US11 to \$US12 a barrel to almost \$US140. With it, all fuel prices shot up. What did the former government do? It kept prices constant.

As a result, the effective real price collapsed slowly and steadily whereas in every other state—even those disaggregated, some determined by the market; some, like Queensland, were more determined by government—it rose. As a new government the basic theme was, “We’re going to try to keep prices low.” Prices went up ten-fold and prices were kept constant. It required leadership at the time to say, “Our system is not working.” At the same time of course the former government was not driving efficiencies and competition in the delivery of production and the SWIS. That is why it failed.

Before the election, the government commissioned a review of the electricity market. I am not sure why, I hope it was because of accountability. That review stated that we needed, I think, about a 72 per cent increase in the price of electricity to get to real market costs. The government accepted the basic premise that eventually it had to get there. We share the basic aim; fair enough. It is only logical. At the same time Labor, and to some extent the Liberals, said that we have to get more realistic pricing of electricity if we are to address efficiency and global warming. We cannot even move towards that if we subsidise electricity prices.

I might add, subsidising electricity prices by gouging Verve or running down its asset base is silly. It can invest; or, if we try to subsidise electricity prices through borrowing—which the government did not do because it had surpluses—or using the state’s thin tax base is just not only gouging Peter to pay Paul and distorting the incentive to save electricity, but, even worse, it is inequitable. Big electricity users will potentially be subsidised by people from low-income families. More importantly, how do we pay for the damn things? Do we pay for it by payroll tax? Oh great! Stamp duty on houses—great! Our tax base simply cannot equitably share that.

**Mr E.S. Ripper:** How does the government deliver a benefit from a boom to Western Australian families?

**Dr M.D. NAHAN:** It does not do it by subsidising electricity prices to householders.

**Mr E.S. Ripper:** How would you do it?

**Dr M.D. NAHAN:** You do not do it that way. That is the subject. It is a big issue; I admit that. Going to the last election, as the Treasurer said, he announced a 10 per cent increase. It was not clear what he was going to do after the election.

I think that is fair enough, because he had to address it during the election. I am not sure how well he did it. He accepted that eventually he had to get to a 72 per cent increase.

**Mr E.S. Ripper:** We told people the truth.

**Dr M.D. NAHAN:** Did you? Did you say how you were going to get that 72 per cent increase and the timing and the rate of increase?

**Mr E.S. Ripper:** Yes.

**Dr M.D. NAHAN:** You did? Up to 10 per cent a year?

**Mr E.S. Ripper:** We told people 10 per cent first-off, and at least 10 per cent after.

**The ACTING SPEAKER (Mrs L.M. Harvey):** Members! There is a lot of background noise in the Assembly. As just evidenced it is very, very difficult to hear the member for Riverton, who has the call. Could you please take your conversations outside.

**Dr M.D. NAHAN:** The real issue is not whether we are increasing the cost to householders, but basically how it is to be funded. The previous government was going to do the same thing. Somehow it had to plug the haemorrhage in the electricity industry. The choices are either to do it through prices or taxes; or borrowing. It chose basically to do it by taxes. It chose to do it by taxes because it was not actually being accountable. The government was saying, "We'll just put it on the never-never. We have put it in the budget as CEO and we will gouge it somewhere else." At the same time you were rabbiting on about electricity efficiency.

Here is another reason why we should have—and, as the government did—focused on a small budget surplus: to focus on realistic pricing of electricity, not put it on the never-never and impose it on our tax base. This state, as all states, faces the graded threat to its continued survival by Rudd government changes. The Henry tax review is mooted—it has not been released. The federal government is considering effectively taking over our royalties. It had mooted the idea to put in a profit-based override royalty on all our royalties. That is the biggest threat we could possibly face.

**Mr W.J. Johnston:** No!

**Dr M.D. NAHAN:** Yes, it is; financially it is. Secondly, the GST, which the opposition leader has repeatedly said he shares concerns about, has been a systemic problem for some time—and he faced it. The Treasurer said that is going down to 68 cents out of a dollar. Actually, as a result of the changes, it is going down below 6 cents. I share the view of potentially another boom, but we face a catastrophic problem with our ability to fund the necessary infrastructure and social services. We do!

The problems lie not with the pricing of electricity but with the Labor Party's colleagues in Canberra. Go talk to them, especially the member for Armadale! She must support Mr Rudd's tax rip-offs proposal.

Several members interjected.

**Dr M.D. NAHAN:** Members do not support that?

This government has done a brilliant job in terms of capital works and managing the budget. Most importantly, it has been honest about electricity prices rather than fudging and hiding prices like Labor would have.