



## Pacific Power (Dissolution) Bill.

### Second Reading

**The Hon. MICHAEL EGAN** (Treasurer, Minister for State Development, and Vice-President of the Executive Council) [10.14 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

#### Leave granted.

The purpose of this Bill is to dissolve Pacific Power. Its closure represents the culmination of an extensive and successful reform program undertaken by the Government over the past decade, which has delivered significant benefits to New South Wales.

From 1950 to the early 1990s, Pacific Power was responsible for the design and construction of power stations within the State, augmenting the high voltage transmission network, and managing the State's generation and high voltage transmission systems.

In anticipation of the establishment of a national electricity market, Pacific Power was restructured between 1994 and 2000. Pacific Power's transmission assets were initially separated forming TransGrid. Subsequently, its generation functions were formed into three State-owned corporations, Macquarie Generation, Delta Electricity and Eraring Energy. These entities were established with the objective of operating within the national electricity market as independent, commercially viable organisations.

These initiatives together with other electricity reforms undertaken by the Government have resulted in substantial efficiency gains from which the whole State has benefited. The Government estimates that between 1995, about the time when the electricity reforms commenced, and December 2002, New South Wales electricity customers have saved over \$1.745 billion in real terms on their electricity bills. Today, small business customers in New South Wales enjoy the cheapest electricity prices in Australia, while householders pay the lowest electricity prices of any State in the national electricity market.

Following the separation of its transmission and generation assets, Pacific Power's principal activities were the operation of a coal mining business through its wholly owned subsidiary company Powercoal, and the provision of engineering consulting services and contracting through its business unit, Pacific Power International.

Powercoal operated six underground coal mines with a staff of around 1,100 in the Central Coast, Lake Macquarie and Lithgow regions. In August 2002, Pacific Power sold Powercoal to Centennial Coal Company, one of New South Wales' leading independent coal producers.

The sale of Powercoal was a great result for employees, all of whom went across to the new owner. Powercoal staff have their jobs protected for three years following the sale and all accumulated employee entitlements are also protected. Also, Centennial has committed to significant capital expenditure and to pursuing development and growth opportunities. These plans and ongoing coal supply contracts between Powercoal and the State-owned electricity generators are expected to underwrite jobs at the mines well into the future.

Pacific Power International provided engineering and technical advice and services both interstate and internationally. This business was sold to engineering consulting firm Connell Wagner in February 2003.

The successful sale to Connell Wagner was the best possible outcome for employees, as the private sector is better placed to develop the business and manage the risks inherent in its operations. The sale provides the prospect for the significant number of employees who joined Connell Wagner to broaden their skills and access a greater suite of opportunities, while ensuring that in future, the Government, and ultimately taxpayers, no longer bear the commercial risks associated with this type of business.

Throughout the restructure of Pacific Power, the Government has worked constructively with employees and their unions. Without doubt, this contributed to the success of the reforms. During this time, Pacific Power has also provided a range of support services to employees to assist their transition, including career counselling and skills development workshops. The Government is committed to continuing to provide these services to remaining

Pacific Power employees.

Most of Pacific Power's remaining employees are seeking redeployment in the public sector, while all others will depart with a voluntary redundancy package.

Pacific Power has developed and implemented a redeployment program for those employees seeking placements in the public sector. This entails concentrated coaching and development of all employees and a coordinated approach with the Government's Workforce Management Centre to identify and match Pacific Power employees to public sector vacancies. These efforts will continue following the dissolution of Pacific Power to facilitate the successful redeployment of remaining employees to other parts of the public sector.

With the recent successful sale of its remaining business undertakings, Pacific Power has no remaining long-term operational activities, and should therefore now be dissolved.

The closure of Pacific Power is both appropriate, as it no longer has any ongoing activities, and necessary, as the infrastructure established to support an entity that previously employed thousands of staff and was responsible for the entire State's generation and high voltage transmission systems is not suitable for the efficient wind-down of remaining residual activities. Accordingly, the Bill formally dissolves Pacific Power on 1 July 2003.

However, Pacific Power holds some residual assets and liabilities that need to be managed and efficiently wound up following Pacific Power's dissolution. For this purpose, the Bill establishes a successor entity called the "Residual Business Management Corporation". This Corporation will be a statutory body managed by a General Manager, with reporting and accountability lines to the responsible Minister, which in this case is myself.

The structure of the Corporation is designed to reflect the nature of the Corporation as a vehicle for wind-up activities. The Corporation has no role in undertaking new business activities. Its objectives and functions, as embodied in the Bill, are to efficiently, effectively, and responsibly manage and wind-up residual assets, rights and liabilities in a timely manner. The activities of the Corporation will be monitored through an annual business plan, which it will be required to submit to the Minister.

The Corporation will succeed Pacific Power as the employer of Pacific Power employees. This is one of the most significant aspects of this Bill for employees. It ensures they remain on their existing terms and conditions of employment with no loss or change to their entitlements including superannuation, annual and long service leave, and sick leave. The existing voluntary redundancy offer and other key employee arrangements contained in a Memorandum of Understanding applying to Pacific Power employees will also continue to apply to the employees and the Corporation.

On the dissolution of Pacific Power, the Bill provides that all remaining assets, rights and liabilities of Pacific Power become the assets, rights and liabilities of the Residual Business Management Corporation. The most significant of these assets is a Pacific Power wholly owned subsidiary company currently involved in the engineering, procurement, and project and construction management of two power plants in Queensland.

These projects commenced in 1998 and 2000 and are being delivered through a consortium structure. While the physical construction of the plants is essentially complete, both contracts require significant management during lengthy warranty and defects liability periods. Final contractual completion for the later of the two projects is expected in 2006.

The subsidiary undertaking these projects will be retained as a specific purpose vehicle solely to fulfil existing contractual obligations for the two power stations. The company will be fully wound up at the conclusion of the two contracts. Existing guarantees that Pacific Power has provided in relation to these projects will be carried forward to the State as a savings and transitional measure.

Although the Corporation will initially assume all assets, rights and liabilities of Pacific Power, the Bill provides scope to ultimately transfer ownership and responsibility for assets, rights and liabilities to other appropriate public sector entities. This is consistent with the objective of establishing the Corporation as an entity to manage the wind-up of residual Government business, and ensuring that any obligations of a continuing nature are appropriately managed.

In conclusion, I reiterate that the closure of Pacific Power represents a significant milestone in the Government's electricity reform agenda. Nevertheless, the Bill recognises that some residual matters remain to be managed. It therefore provides a sound framework for ensuring that any residual obligations can be efficiently managed and that commitments to former Pacific Power employees continue to be honoured.

I commend this bill to the House.

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