

INQUIRY INTO GENTRADER TRANSACTIONS

Name: Dr Ailsa Burns

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Submission to the NSW Legislative Council General Purpose Standing
Committee No.1 Inquiry into the Electricity Privatisation (Gentrader Transaction)
Inquiry.

from

Ailsa Burns

Paul Bollard

We congratulate the Standing Committee of the Legislative Council for conducting this Inquiry into the unsatisfactory conduct of the Gentrader transaction. We note that the Terms of Reference of the Committee of Inquiry are to

Inquire into and report on the following aspects of the Government Energy Reform Strategy announced on 15 December 2010:

1. The details of the energy reform transactions completed on Tuesday 14 December 2010
2. The circumstances that led to the resignation of directors from Eraring Energy and Delta Electricity
3. The impact the transaction will have on current and future electricity prices, competition in the electricity market, and the value obtained for NSW taxpayers; and
4. Other related matters.

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AS NSW taxpayers and power users, we urge the Committee to consider the following issues

1. The loss to NSW of the income generated by the power industry. At around \$750 million a year, this has made an important contribution to the state's provision of school, hospital and other services. The purchase price of 5.3 billion will replace this for only 6.5 years. Where will the replacement funding come from?

2. The 6.5 years noted above may be an optimistic projection, as we understand that the Transaction includes secret clauses that provide government subsidies to Gentrader; and that leave future financial risks to be carried by the public, rather than by Gentrader. We understand, for example, that while in theory the Gentrader takes financial responsibility for coal purchasing, including the risk of rising prices, the Keneally government has offered a secret deal to the purchasers that means that the NSW community will bear much of the costs. We understand also that while the Gentrader will pay the power station for operations and maintenance, but the amount and the way it changes with time are unknown, exposing NSW citizens to the risk of further subsidizing corporate profit.

What are the details of these secret clauses, and what effect will they have for the NSW budget and for NSW taxpayers?

3. Private firms exist to make a profit. What effect will the Gentrader privatisation have on NSW household power bills?

4. Due to its reliance on coal, the power industry currently creates 40% of NSW's greenhouse gas emissions. There is international agreement that fossil fuel sources of power must be urgently reduced and replaced by renewable sources. Does the Transaction require Gentrader to commit to renewable energy targets?

5. Does the Transaction provide for the retention of power industry and associated jobs within Australia? If so, for how long?

If the answers to all or some of these questions are unsatisfactory, or unable to be established due to government or industry failure to comply with the requests

of the Committee, we request that the Committee recommend that the Gentrader Transaction be voided. It appears that the Transaction was conducted in an unethical and possibly illegal manner, as evidenced by:

- the existence of confidential clauses within the Transaction;
- the dramatic resignation of the directors of the state-owned generators, and their late-night replacement by persons with a vested interest in the sale;
- Premier Keneally's hasty proroguing of Parliament to attempt to prevent an Inquiry: and
- the evident reluctance of the former directors to attend the Inquiry, due to the Government's threat to not provide them the privilege that would normally apply.

All these aspects raise deep suspicions of unethical or even corrupt behaviour. If all or some of these suspicions turn out well-based, we urge the Committee to recommend that the Gentrader transaction be voided.