

Unveiling of plans for corporatisation of SECWA gas/electricity operations

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Colin Barnett

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The State Government today unveiled its legislative plans for the corporatisation of the gas and electricity operations of the State Energy Commission of Western Australia (SECWA).

Energy Minister Colin Barnett said the creation of a new competitive environment for the two businesses would lead to major savings in energy costs for industry and domestic consumers.

Mr Barnett told Parliament the restructure of SECWA - the largest of all State Government owned businesses with assets of \$4.6 billion - was the first corporatisation of a Government Trading Enterprise in Western Australia.

"The legislation has been developed to create an environment in which the new gas and electricity corporations can pursue commercial objectives in a competitive market place, but in a manner which is consistent with Government energy policy," the Minister said.

"The corporatisation of SECWA is an historic moment and is in line with the Coalition Government's commitment to major reform of energy markets and the public sector."

Mr Barnett said the legislation had two major objectives. The first was to introduce 'head to head' price competition between gas and electricity by splitting SECWA into separate gas and electricity utilities.

The second objective was to transfer SECWA's policy and regulatory functions to an independent Government agency.

Mr Barnett said the two Bills creating the separate gas and electricity entities were designed to give effect to four general principles of corporatisation. These were: clarity of objectives; management autonomy and authority; strict accountability for performance; and competitive neutrality.

"Corporatisation is a strategy aimed at improving the level of efficiency and accountability in Government Trading Enterprises for the benefit of consumers and taxpayers," the Minister said.

"The new corporations will have clear objectives and must act in accordance with prudent commercial principles and endeavour to make a profit consistent with maximising their long-term value."

Mr Barnett said the legislation provided for the gas and electricity businesses to operate under similar corporate management guidelines.

These included:

- the requirement to prepare Strategic Development Plans covering a rolling five year period and an annual Statement of Corporate Intent;
- the liability to pay Commonwealth tax and municipal rates equivalents to the State Government as well as existing State taxes;
- the identification and funding of Community Service Obligations;
- the power of the Minister to give general directions to the corporations and the tabling of all directions in both Houses of Parliament; and -
- compliance with corporate management provisions similar to those in the Corporations Law.

The Minister said both corporations would have the status of agents of the Crown but would not be immune from State legislation.

The Electricity Corporation Bill 1994 will create a new corporatised entity to carry out the functions of generation, transportation and distribution of electricity. Based on SECWA's last financial year's figures, the electricity corporation will have about \$3 billion in assets, a turnover of \$1.2 billion and a workforce of 3,800.

The Gas Corporation Bill 1994 will establish a corporation responsible for the operation of the Dampier to Bunbury pipeline and the distribution of natural gas in the metropolitan, Bunbury and Geraldton region, together with tempered liquid petroleum gas in Albany and simulated natural gas in Mandurah. The gas corporation will have about \$1.6 billion in assets, a turnover of \$530 million and a workforce of 630.

The new energy corporations will come into operation on January 1, 1995 and will operate with new trading names and from separate business premises.

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