

“In Support of Progress” Newsletter

In this issue

Date: 16 March 2013

Energy

The Energy Debate

Forest Issues

Aurora is being divided up to enable retail contestability. It is argued this will bring down prices. It won't.

Fire

Statistics Pack

Over three quarters of the retail price is to meet generation and distribution costs (see Figure 1). Nothing to do with retail. Over the last 10 years these costs have doubled (see Figure 2). Yet the retail part of the equation hasn't moved much at all.

In fact, contestability will actually cost the government, as more than 30% of retail customers are on some form of government support, and the private operators moving into this space will disconnect customers that don't pay and/or require a “community obligation” subsidy.

Aurora is actually three – failed - businesses, and at present a Treasury-inspired committee (the Electricity Reform Oversight Committee) is picking over the bones of the enterprise. This is of concern in itself, as Treasury would have very little knowledge or expertise in deciding commercial realities, and yet they are responsible for the breakup. This bureaucratic committee has been given over \$5 million to consider the best way to break it up. So whatever savings the government thinks it is going to deliver to the market is already being mopped up in costs of breaking up the entity. In reality Aurora has little of value, and the \$5 million is nothing more than a sop to those who sit on the committee.

The first of these businesses is AETV which owns the Tamar Valley Power Station, a power station that was purchased half-built from a failed investment bank at full retail price, and then further funds spent on completing it. The station has never run profitably and it is hampered by an onerous gas supply contract that was negotiated by - Treasury officers. It could and should be handed over to Hydro Tasmania – tomorrow. Let the entity that has to deal with the “acquisition” resolve the acquisition – it does not need an oversight committee.

The second is the poles and wires (distribution) business. It could and should be handed over to Transend – tomorrow. This enlarged company does not need a new name and a new logo, nor a new Board. Let the entity that has to deal with the “acquisition” resolve the acquisition – it does not need an oversight committee.

As these businesses are government businesses, the issue of “value” is essentially irrelevant. At the end of the day it is a contra-payment within the government's books, and determining “real value” for the Aurora bits and pieces is an exercise in absurdity.

That leaves the retail business. This should be the job, the one and only job, of the oversight committee, to see whether this entity has any value. As for the Aurora Board and senior management, sayonara, and make it quick. They have presided over an absolute shemozzle, and have cost the Tasmanian taxpayer an enormous amount of money.

From a \$60 million IT system that does not work to lax inventory control, the operations have been not just a failure but little short of a disaster. In fact there are serious issues of accountability that really need to be addressed.

A cursory view of the cost increases over the past 10 years makes it imperative that these remaining two government entities manage their costs (see Figure 3). I remain skeptical that the present arrangements for justifying price increases by reference to an independent Energy Regulator is appropriate. More later.

Forestry

It has been a busy week.

Miranda has come down from her tree, having waited for Bob Brown to arrive to save her from a forest fire that was not threatening her position. What a stunt – the publicity continues to centre on her commitment to protect forest areas. Maybe it should also reflect on her breaking the law (can anyone tree-sit?), and how forest fires (such as what she says brought her down from her tree) will be managed in the absence of sensible forest management.

A number of submissions have now been filed with the World Heritage Centre in Paris from a range of organizations condemning the request by the Commonwealth for nomination of 170,000 hectares to be included as a "minor extension" to the World Heritage Area.

The Legislative Council has delivered its Report into the Forests Agreement Bill, and has been highly critical of the processes followed by both governments seeking to lock up areas of managed forest and put people out of work. The Report is available on-line. The Council will be debating the Report next Tuesday, and it is likely to determine against the passage of the Bill.

And now the Audit Office has advised the Federal government that its processes were a failure when it threw money around like confetti in an attempt to pay people to leave the industry. In fact, it was farcical. For some, it was all too easy. They took the money and stayed in the industry. What is more intriguing is that the federal officials were provided with advice but refused to accept it because of their disdain for the locals. Be it on their own head.

Fire

We live in an inflammable environment. Whether we like it or not, it is fact. If we do nothing to manage fuel buildup, we will be faced with a conflagration. So it was strange to hear the State's Chief Fire Officer comment on the ABC's morning program that the issue is complex. It isn't. The politics may be complex, but the issue is very simple. Control the buildup of fuel, or suffer the consequences!

Statistics Pack

Also attached is the latest statistics data. The delay has been caused by the delay in release of the data from the ABS.

This newsletter is supported by Tasman Management Services.

Further information is provided at www.julianamos.com.au



Disclaimer: All details in this Newsletter are the opinion of Julian Amos. Should you wish to stop receiving this email you can visit the website and press "unsubscribe" in the newsletter menu.