



Hansard of the NSW Legislative Council

AUDITOR-GENERAL (SUPPLEMENTARY POWERS) BILL 2008

2nd Reading Speech 19 June 2008

Before I direct my remarks to the Auditor-General (Supplementary Powers) Bill 2008 I want to talk about what just happened in the House. I want to put it on record so that everybody understands very clearly that we were not given a second reading speech. The Minister declined to do so. We were presented with a bill that came out of the lower House shortly before lunch today. We were not given a second reading speech in writing. The Minister has declined to give a second reading speech because he is either too embarrassed or too lazy to deliver it, so we have no idea what the Minister said in the second reading. That it is an outrage. It is a travesty of the democratic process.

The Hon. Ian Macdonald: We table second reading speeches every day of the week. You are an idiot.

Dr JOHN KAYE: Excuse me, Minister. The Minister gave up his right to speak in this debate. He had the opportunity to speak but he declined to do so. Now he should keep quiet. It is a fundamental principle of the Westminster system that we are briefed on a bill in the Minister's second reading speech, and things said in those speeches take on legal authority. We do not know what that legal authority is in this instance. As far as process is concerned, yet again the Lemna Government gets a D minus.

[Interruption]

An F for fail—I am sorry. My softy liberal background is coming out. The Government gets an F for fail on process. I now turn to deal with the bill itself. It is cause for huge concern. The bill requires—I emphasise "requires"—the Auditor-General to perform an audit—that is, to review and report—on a Government overall program of so-called authorised restructuring. The key feature of that statement is that it is on the overall program, not the restructuring itself. It is a prospective piece of reviewing. The Auditor-General is being asked to review the Government's intention at the point at which the Government delivers the program to him. It is not what the Government has done or will do but what it is telling the Auditor-General is its current intention.

That raises a major concern with respect to the bill. If the Coalition gives a big tick to the Auditor-General's report, if it says everything is fine, and then the Coalition votes for the electricity industry restructuring bill, nothing in that bill or in the Auditor-General (Supplementary Powers) Bill will hold the Government to the expressed intention that is audited by the Auditor-General. That means that the Treasurer can then make a decision that is completely different to the Government's expressed intention. If we allow the electricity industry restructuring bill to pass through this Parliament, we would be signing a blank cheque to the Treasurer. I do not know about other members, but I know I am not interested in handing over the future of the electricity industry to the whim and fancy of the Treasurer. I want to enumerate a number of problems with the legislation. First, it states that we are "requiring", not requesting, the Auditor-General to conduct a review—

Reverend the Hon. Fred Nile: He agreed.

Dr JOHN KAYE: Reverend the Hon. Fred Nile will have his turn in a moment. It does not matter whether the Auditor-General has agreed. I have not heard that from the Auditor-General; the only person I have heard that from is the Treasurer. It is highly unlikely that the Government will then

tell us, "Oh, I'm sorry, we had to strong-arm the Auditor-General into doing this." The Government will not do that. To believe what the Government says about this would be an act of naivety that would surpass even Reverend the Hon. Fred Nile's capacity for naivety.

The bill requires the Auditor-General to conduct the review. When Parliament requires the Auditor-General to do something, the Parliament is undermining the independence of the Auditor-General. We leave the Auditor-General in an invidious situation. He cannot refute Parliament's requirement that he conduct the review, but on the other hand he may not be able to perform it within the professional standards of auditing. At that point, we put the Auditor-General in an invidious position and we put New South Wales in an invidious position.

Secondly, if the Auditor-General conducts the review, having done so, and possibly having given the Government's program a clean bill of health, the Auditor-General will have engaged in what is known in the American literature on this matter as regulatory catch-up. If the Auditor-General gives a big tick to something, it is much more difficult for the Government to then say, "There is something wrong with this." It means that we have undermined the ability of the Auditor-General to give an appropriate and rigorous retrospective analysis of the privatisation process if it goes ahead, which is a dangerous position for us to be in. We are told that the sale will raise \$10 billion or \$15 billion, which is total nonsense; it is nothing like \$10 billion or \$15 billion. Optimistically, if the sale goes ahead it is more likely to raise \$8 billion, given the impact of carbon trading.

Reverend the Hon. Fred Nile: Every day you talk, it goes down.

The Hon. Ian Macdonald: You're costing the State money.

Dr JOHN KAYE: It is an extraordinary proposition from both the Minister and Reverend the Hon. Fred Nile that my talking is costing the State money. If the industry is in such a fragile state—as admitted by the Minister and by Reverend the Hon. Fred Nile—that 25 minutes of talking is bringing down the value of the industry, I suggest we are engaging in a very dangerous activity if we are even contemplating selling the electricity industry.

The Hon. Ian Macdonald: You take yourself too seriously.

Dr JOHN KAYE: That is okay, because no-one takes you seriously. We are in a position where, if we require the Auditor-General to undertake a review of the proposed sale, and the sale goes ahead—the Greens hope that it will not—the Auditor-General will be in no position to conduct an audit of the probity of the process because he will have become part of the process. I might take myself too seriously, but one thing the Greens take very seriously is the probity of government relations and the interface between public enterprise and private enterprise.

I note a gesture from the Shooters Party. Perhaps the Shooters Party does not take this seriously. If we are to have \$10 billion changing hands, it is absolutely essential that we have the capacity to ensure, after the event, that that money changed hands in accordance with both appropriate accounting standards and probity standards.

Reverend the Hon. Fred Nile: Why wouldn't it be?

Dr JOHN KAYE: It might be or it might not be. But we know that there have been problems with previous privatisations. We also know that there have been significant problems concerning relationships between the Government and private enterprise. Reverend the Hon. Fred Nile has been around long enough to know what some of those problems are. He should know about the problems concerning the Cross City Tunnel, the M2, ticket pricing, and many other arrangements that involved totally inappropriate relations. If we are to have any progress in probity, we must have an Auditor-General who can, after the event, make an independent analysis of what took place.

The third problem with the bill is that it speaks only about privatisation; it does not compare it with the alternative. The bill does not speak about the value of retention. If the Coalition is serious about

making a decision on this issue in the public interest, it should conduct an analysis of, on the one hand, the value of retention and, on the other, the value of sale. All this bill speaks about is commanding the Auditor-General to analyse the benefits of sale—not the benefits of retention. It is a one-sided exercise. It is not possible to balance sale with retention. The Coalition needs to do its own analysis of the benefits of retention to the State.

We are not talking about a small beer here. As far as one can tell from the public records, over the years 2006 and 2007 New South Wales made \$1.132 billion from the assets that are currently up for sale, that is, the electricity generators and distributors. If the sale goes ahead, we will be giving up \$1.132 billion—let alone all the other benefits of public ownership. The question then remains: Is that a good deal in return for \$8 billion? I imagine the shadow Treasurer would be better able to do these sorts of calculations than me. But on my calculations the Government would have to get an incredibly high interest rate, given inflation, to match that income. I will speak about that in more detail later.

The analysis that the Auditor-General is being asked to carry out is entirely one-sided; it asks only half the question. The question that needs to be asked is: What are the benefits of keeping the State's electricity industry and what are the benefits of selling it? The bill has been drafted in this way for a reason: Treasurer Michael Costa, Premier Morris Iemma and Minister McDonald all know that if we did an honest analysis of the economic benefits of sale versus the economic benefits of retention, leaving aside all the other benefits of retention, the balance would tip massively in favour of public ownership. But the Government does not want us to know that. The Government does not want us to have an official document from the Auditor-General that allows the truth to come out.

It is simply voodoo economics to say that selling off an asset will somehow make the Government more money. The people who are going to buy the asset know what it is worth. They know better than Michael Costa, and they know better than me. These people make their living by looking for mug governments that sell off assets at underrated prices. That is what we are competing with, and that is where we will end up if we go ahead with privatisation of the electricity industry.

If the Auditor-General or an independent body were genuinely given the opportunity to analyse that comparison, that is the outcome it would come up with and that would be the end of privatisation. The Treasurer, the Premier, the Minister and those who are pushing for electricity privatisation well know that this is voodoo economics, that this is a bad deal for the people of New South Wales, and that the Government is hiding that fact. Fourthly, as I said earlier, the bill requires the Auditor-General to conduct a review of a program of restructuring. What is a program of restructuring? It is not something that has happened, it is not something that is about to happen, and it is not something that is locked into legislation; it is a letter from the Treasurer to the Auditor-General saying, "Look, I'm thinking maybe this is how I'm going to restructure the industry. Maybe this is how I'm going to sequence the sale, and maybe this is how I'm going to organise the sale in terms of whether it is a trade sale or an IPO."

What we are asking the Auditor-General to audit is just an intention. It may not even be the intention of the Government or the Treasurer; it might be just what they want to tell the Auditor-General. If the Coalition gives a tick and allows the passing of the Electricity Industry Restructuring Bill, by the time the privatisation happens the proposal could be completely different to what has been signed off by the Auditor-General. If Coalition members take it that the report of the Auditor-General will say everything is going to be peaches and cream, they will be committing an act of complete blind faith in the honesty of the Treasurer. I do not believe that the Coalition would be silly enough to make that massive mistake.

Fifthly, the bill itself places enormous limits on the capacity of the Auditor-General to conduct a review. The questions that the Auditor-General should be asked, as I have said before, should be about the retention value versus the sale benefits, and they are not in the brief. But we should also be asking about the validity of the underlying assumptions that went into the Owen inquiry. That has never been tested publicly. The Government continually trots out the idea that if we do not do this, the lights will go out; the idea that if we do not do this, somehow or other the people of New

South Wales will be at risk of a lower credit rating; the idea that if we do not sell off the electricity industry, there will be no further private investment in the electricity industry in New South Wales. Those assumptions underlie the Owen inquiry, and hence underpin the Government's argument for privatisation. But each and every one of those assumptions is wrong. And each and every one of those assumptions deserves to be exposed. But the Auditor-General's report will not expose those because the Auditor-General will not be looking at those.

This bill limits what the Auditor-General can do. The Greens will be moving amendments to ensure that the Auditor-General does have that capacity. I challenge the Coalition and crossbenchers to join with the Greens in letting the Auditor-General off the leash. If they believe in the Auditor-General process, and if they believe that this is the right strategy for determining the future of New South Wales, then they should let the Auditor-General off the leash, give him broad terms of reference and let us see what comes out of that reference. I have confidence, the Greens have confidence, the union movement has confidence, and the people of New South Wales have confidence that if you ask the right questions you will get the right answer. And the right answer is: You would have to be bats to sell this industry!

The other key failing of the bill is that it does not specify what information is presented to members of Parliament. The Greens argue that if we are to be put into a position of handing over ultimate authority to the Treasurer, we should know exactly what is in the minds of the Treasurer, Credit Suisse and Lazard's, the people who are designing this privatisation. Rather than just a dodgy letter from the Treasurer to the Auditor-General, we should see the whole box and dice; we should have access to the advice that is going from Credit Suisse and Lazard's to the Treasurer and to Treasury. We should know what is going on. If the Coalition is serious about protecting the public interest, it will make sure that all that information is in the public domain.

The Greens are concerned also that this legislation fails to ask the Auditor-General to check his analysis against a variety of assumptions. I will give the House one issue that can vastly change outcomes. It is the issue of discount rates, particularly when we are talking about future income streams and present income streams and trying to compare them. As every first-year economics student knows, and most final-year engineering students know—at least, they would if I had taught them—by changing the discount rate the answer can be changed; and, for any particular answer one wants, one can set the discount rate. If one shops around for discount rates, one can get everything from the no-risk discount rate, which is extremely low, to some very high discount rates. So, depending on the answer one wants, one can change the question.

Finally, the Greens are concerned that the bill will lead to a far less standard of work undertaken by the Auditor-General than would be established under the appropriate auditing standard, and that is AUS 904. Instead of asking the Auditor-General to act under AUS 904, the bill not only undermines the authority of the Auditor-General but undermines the integrity of the Australian Standards for Auditing. It is an extremely bad outcome for the whole business of auditing.

I say parenthetically that, despite everything I have said, I maintain complete confidence in the Auditor-General, Mr Achterstraat, not only in his competence and his integrity but his goodwill and his commitment to get the right answer. Nothing that has been said by me or by any of my colleagues in this debate should in any way be taken to reflect on the Auditor-General, because the blame here lies fairly and squarely with the Government, with the Minister for Primary Industries, with the Treasurer and with those within Government who have embarked on a privatisation at any cost approach. I want to—

[Interruption]

No, I do not want to conclude, and I am not going to conclude. I want to identify what an extraordinary piece of legislation this is. Reverend Nile, feel free to fall asleep again if he wants to.

The Hon. Tony Kelly: That is not an appropriate comment, and you should withdraw it.

Dr JOHN KAYE: I withdraw it. You are not free to fall asleep.

The Hon. Tony Kelly: No.

Dr JOHN KAYE: I withdraw the remark.

The Hon. Tony Kelly: That is not the standard of this House.

Dr JOHN KAYE: I am amazed that I am lectured on the standard of this House by the Government, given the behaviour of the Treasurer at question time, but I withdraw the remark. I hope that the standard that is applied to me is also applied to members of the Government, and in particular the Treasurer during question time. But let me return to what is really important—the extraordinary nature of what this bill will do. Our research—confirmed by the Auditor-General's Office—shows that there has only ever been one request or instruction to the Auditor-General to conduct a prospective review. In the entire history of the Audit Office as predecessors in New South Wales, only once has that office done a prospective review. By prospective review I mean asking the Auditor-General to sign off on something before it has happened.

Reverend the Hon. Fred Nile: That is what the Attorney General wanted. It is what the—

Dr JOHN KAYE: I am sorry, it is not the Attorney General; it is the Auditor-General. Strangely enough, Reverend Nile, I do not answer to the Leader of the Opposition; I answer to the people of New South Wales. I am here because I believe firmly in standards of probity. Let me talk about the one case when this Parliament has requested the Auditor-General to do a prospective review—that is, a review on something before it happens. That was in October 1994, when the Legislative Assembly asked the Auditor-General to review the sale of the State Bank before it was finalised. That was another prospective sale. At that point of prospectivity—and I guess the only other point is at the point of potential disaster, financially—at those two points the similarity between what happened with the State Bank and what we are asking the Auditor-General to do here completely end. They become totally different entities.

Why is that? It is because when the Auditor-General, on 13 October 1994, was asked to conduct an audit into the proposed sale of the State Bank, every single detail about that was known. I will list the details that were known. The preferred terms of sale were established at the beginning of the tender process. For example, they excluded the big four banks; but, otherwise, the State Bank was to be sold by open and fair tender. At the point where the Auditor-General conducted the review of the sale of the State Bank the name of the proposed buyer was known; the gross sale price of \$576.5 million was known; the timing of the sale and the timing of the payments were known; and all the terms and conditions of the proposed sale contained in the nine transaction agreements were known. Those nine agreements were the share sale agreement, the memorandum of amendment, the completion loan book deed, the confidentiality release deed, the guaranteed management deed, the procurement deed, the special arrangements deed, the superannuation deed of release and the State Bank Centre documents.

With the complete knowledge, the Auditor-General and his consultants—Credit Suisse, First Boston and Coopers and Lybrand—were allowed to establish the complete scenario for the sale and they were able to construct all the financial details associated with the sale. For example, quoting from the Auditor-General's report, they were able to talk about the anticipated range of costs to be met by the State under the proposed contract of sale resulting from indemnities, warranties and reimbursements of costs, which otherwise would not have been incurred by the State. That information was available to the Auditor-General in October 1994 in respect of the sale of the State Bank. None of that information is available in respect of the sale of the electricity industry and none of that information will be known at the time the Auditor-General prepares his report. It cannot be known, because until we pass the Electricity Industry Restructuring Bill the Treasurer cannot create that information. All we have is intention, and even then we will not have the level of detail.

There is no way we can compare what happened in October 1994 with the legislation we are being asked to pass now. That means that we are embarking on a journey into uncharted waters. We are asking the Auditor-General to do something he has never done before and as a Parliament we are sailing out into waters that have never been sailed before. We are letting go of the important security of an independent Auditor-General reporting on known facts and known circumstances and asking for an audit opinion of circumstances and facts, which are not only unknown but are subject to change at the whim of the Treasurer. This bill talks about the proposed electricity industry restructuring. "Restructuring" is a euphemism: this is about a sell-off and privatisation. No doubt the Minister will flap about and say that no assets are being sold. We have heard that from the Treasurer time and again. But it is fascinating when one looks at the Electricity Industry Restructuring Bill—it makes a complete and utter farce of the promises made that no infrastructure would be sold, because the bill authorises an initial public offering [IPO] of the electricity assets. Nonetheless, we must remember that the Electricity Industry Restructuring Bill gives almost unfettered power to the Treasurer to restructure and sell off the industry.

The Treasurer will be free to restructure the electricity industry into any shape or form he likes after the audit opinion has been delivered. We will get the audit opinion based on one proposal for restructure, but the Treasurer could say, "You have given me the power by voting for the Electricity Industry Restructuring Bill, but circumstances have changed. So instead of privatising the five separate entities, I will create a monopoly industry in New South Wales." The Treasurer will be free to choose how to sell the industry, whether he sells parts of it as initial public offerings or as trade sales. He will have complete discretion over that and over the sequence of the sale. We are driving into the dark without headlights if we allow the Electricity Industry Restructuring Bill to go ahead. Once the bill has gone through, there will be no stopping the Treasurer. He will have unlimited power. We are creating the undisputed monarch of the electricity industry. We are allowing him to play out his whims and fantasy with the future of the most important form of energy delivery within New South Wales, and that is significant. Let me talk specifically about the Treasurer's right after the audit report to restructure the industry into any shape he wants it to be. I make it clear that I am now talking from basic microeconomic theory—and you can argue with basic microeconomic theory—but this is the theory that is accepted by the Government. By its own theory there will inevitably be a trade-off between market competitiveness and sale price.

If the Treasurer decides to concentrate market power and, for example, decides to join all the generators and all the retailers together and put them into one entity, they will have far more value because they will exercise enormous market power. What exercising enormous market power really means is that they will be in a position to gouge consumers. They will be in a position to demand prices out of the wholesale and retail industries at whatever level they like. Before the Minister interjects, let me just address the furphy of how we are interconnected. No doubt the Minister in his reply will say, "Dr Kaye doesn't understand. We live in an interconnected electricity industry." The Minister is suffering from the same disease as Paul Keating, the international president of Lazard Carnegie Wylie, one of the key providers of information, when he said in an extraordinary Op-Ed piece in the *Sydney Morning Herald* on 6 May that the other side simply do not understand and that "much of New South Wales's electricity is provided by private generation in other States." If this is the standard of advice that the New South Wales Government is getting from its consultants, then we are in big trouble.

The Owen inquiry, which is so beloved of the Minister and the Premier, makes it very clear that total import over the last financial year was limited to just 10 per cent of the State's electricity consumption because there are constraints on the tie lines that come in from Victoria via the Snowy Scheme and constraints on how much power can be pumped down the line from Queensland. For much of the peak period New South Wales operates as an isolated pricing island. Once those tie lines become constrained during the peak period, particularly where they are constrained on import, then New South Wales becomes a separate entity. An interesting time for the exercise of market power is the peak period when there are constraints on the system and there are real opportunities for the generator sector to gouge the industry. If the Treasurer creates an industry with massive market power it is the consumers who will pay with massively higher electricity bills.

There is no argument that there is real competition interstate, but there is limited competition interstate and limited competition with private generation in New South Wales. If the Treasurer exercises his power following the audit report, under the Electricity Industry Restructuring Bill—which if the Coalition deems so will become an Act, but hopefully not—then the real risk to New South Wales is that the Treasurer will go for the cash. He will maximise the sale value by screwing down on competitiveness, because that is what the utility companies and the multinational banks want. They want an industry that will pay premium dollar only if they think they can make a lot of money out of it. That is not a statement of morality: it is a statement of reality. They will seek monopoly power. All private organisations do that. At that point, if the Treasurer succumbs and says, "I've got to rescue this sell-off in the face of rising carbon prices and in the face of an equity market that Betty Con Walker said you would not be able to float a chip wrapper on", they will rescue themselves and there will be a transfer of wealth from the households of New South Wales, present and future, into the slush bucket that the Treasurer wishes to create.

After we receive the audit report the Treasurer will exercise his power to create massive market power. I have no doubt that the Auditor-General, with integrity, will do as professional a job as he can, given the constraints under which he operates. However, we should take what he says with a grain of salt. After the passage through this House of the Electricity Industry Restructuring Bill the Treasurer will exercise his power and the Auditor-General's report will become meaningless. When I first saw the Coalition's media release what I had in mind—and I suspect what a lot of people had in mind—was completely different from what has occurred.

What I had in mind was exactly what happened with the State Bank. I thought that the Treasurer would go ahead to the point where all the Government's plans were in place. Those finalised plans would then be locked into place by a piece of legislation that dealt with structure, sale mechanisms and the body to whom the generation infrastructure would be sold. The legislation would then be presented to the House, which would have the final say on how the generation infrastructure would be sold. But that is what not what is happening. My version of events would offer premium protection and would be in the best interests of the people of New South Wales. This bill offers no such protection.

With the passage through this House of the Electricity Industry Restructuring Bill we would simply have passed all the power to the Treasurer. It would then be open to the Treasurer to do the following: he could say whatever he liked to the Auditor-General. He could write whatever myth he wanted to write on a piece of paper, call it a program, and hand it over to the Auditor-General. At that point the Auditor-General could give the program a clean bill of health. The limited parameters created by this bill might well be given clean bill of health. Opposition members might then say, "We will vote for the legislation and it will go through this House." At that point the Treasurer might say, "Thank you very much, suckers. I am now off to sell the electricity industry", and the Coalition would be completely and utterly cut out of the game.

Another aspect of the privatisation debate that is of great concern—it is an issue to which I referred earlier and about which the Greens have been talking throughout this debate—relates to the exact amount of money that would be received as a result of the operation of those components of the electricity industry that are on the chopping block. We are talking, in particular, about electricity generators and retailers. The figures for electricity generators are easy enough to estimate, as they are publicly known. However, if we combine the dividends and tax equivalent payments we find that in 2006-07 the generators delivered \$634 million in dividends and tax equivalent payments.

It is easy to establish what those figures will be. However, because of the dodgy accounting standards engaged in by the Lemma Government we cannot separate the amount of money coming from EnergyAustralia, Country Energy and Integral Energy from the money received from electricity retailers and the money received from poles and wires. Despite repeated questioning we have never been given those figures—the best we can do is estimate them. The total electricity business generates a substantial amount of money. According to the Auditor-General, in 2006-07 retailers and distributors generated \$598 million. However, we still have to establish how much of

that can be attributed to retailers and how much of it can be attributed to distributors. Let us say, for example, that the wires and poles generated about \$100 million. After subtracting that amount from the total we are left with about \$1.132 billion on the chopping block, but that is only an estimate.

As I said earlier, because of the Government's dodgy accounting standards we are not able to establish an accurate figure. It is important for the Auditor-General to apply appropriate accounting standards and to inform us of the accurate figures. I foreshadow that the Greens will move an amendment in the Committee stage to ensure that that occurs. I hope that the Coalition and members on the crossbenches, for the sake of openness and probity, support that amendment. This bill is part of a much larger issue that has been gripping New South Wales since the Federal election. In reality it is an issue that probably gripped New South Wales well before the March 2007 election, and I am sure that it was in the mind of the Treasurer, the Minister for Primary Industries, and other people engaged in the energy-regulating industry.

I assure all members that we have a long way to go. Some people might think it is all over now that the Coalition has rolled over. I say to those who think that this legislation is just a formality that the Greens will not allow that to occur. I say to the union movement, to the 700 people at the Australian Labor Party State Conference who voted against privatisation on behalf of the good and decent members of the Labor Party in this Chamber who had the courage, the common sense and the decency and who were committed to ensuring that it was in the best interests of the people of New South Wales, that they should say that electricity privatisation is wrong. It is a tragedy for the people of New South Wales that those sensible voices in the Labor Party are being shut out of the debate.

Only a brave government and a brave opposition would ignore the reality of electricity privatisation. Only a brave government and a brave opposition would ignore the 70 per cent to 86 per cent of the population of New South Wales—in particular, those in rural and regional areas—that are diametrically opposed to privatisation. Only a brave government and a brave opposition would turn around at a time when we are heading into carbon trading and ignore the consequences of emissions trading on the privatisation process. I wish to give members three numbers. The first number is the 57 million tonnes of carbon dioxide that is generated by the New South Wales electricity industry every year. The second number is \$60 a tonne—the European Union's estimate of the level to which carbon prices will rise in the Australian emissions trading market in the medium term. The third number \$3.4 billion a year in carbon trading costs, and that figure is achieved by multiplying those two numbers together.

If we continue down the road of carbon-intensive electricity generation that money will have to be paid by somebody. Those statistics could be hidden with arguments about clean coal and they could be obfuscated by the suggestion that generators would be exempt from carbon trading. This Government can run and it can hide but, in the end, that \$3.4 billion impost will impact on the New South Wales economy. If we do not have a publicly owned electricity industry that can make transitions and adjustments, that amount of \$3.4 billion will be passed on to the consumers of New South Wales. That deadweight burden will be passed on to households, industry, the public and the economy. We have to maintain and preserve the benefits of public ownership in a time of rising carbon prices.

Only a brave government and a brave opposition would ignore the impact of privatisation on households, in particular, at a time of rising prices. Despite the Treasurer's comments we have said from the outset that no matter who owns the electricity industry, unit prices of electricity will go up and households will pay greater unit prices. It is essential that the Government work particularly with low-income and disadvantaged households to ensure that at times of rising prices they can reduce their demand for electrical energy. That would protect household finances. The only ownership structure that is guaranteed to deliver that outcome is public ownership. If the Government and the Opposition have any concern for the plight of low and medium-income households when prices are increasing, they will retain both the generators and retailers in public hands.

The Hon. Melinda Pavey: Well said!

Dr JOHN KAYE: Thank you.

The Hon. Melinda Pavey: I thought you had finished.

Dr JOHN KAYE: I will address one other issue and come back with a strong finish. I attended meetings at Muswellbrook and Gosford at which members of The Nationals and a senior member of the Liberal Party put their hands on their heart and said, "Electricity privatisation is a bad deal for the people of New South Wales." We do not want to see senior members of the Coalition eat their words. It was not the Hon. Trevor Khan, the Hon. John Ajaka or the shadow Treasurer. We do not want to see them proved to be liars. We will ensure that those commitments are honoured in the way they should be. They have told the people who have spent their lives keeping the lights on for us that they will protect their industry, and they would be no better than Morris Iemma if they rat on that commitment. That is exactly what Morris Iemma did. He told the unions that he would not sell the industry and he has ratted on that deal. If members of the Opposition want to prove they have a higher standard of probity, they will honour their commitment.

I urge the House to delay the passage of the Auditor-General (Supplementary Powers) Bill. I appreciate that the Coalition is locked into an audit process, and I have expressed the Greens' concerns about that. The fact that they are locked into that process is their mistake and their problem. However, I urge them not to be taken for suckers by Michael Costa and Morris Iemma. I urge them to demonstrate their sophistication and to delay the passage of this bill while we fix it, and it needs to be fixed. It simply does not pass muster when it comes to protecting the households, the environment and the economy of New South Wales. If we are serious about our duty to this and future generations, we will not take one step towards privatisation. We will ensure that, at the very least, the brief we give the Auditor-General lets him off the leash so that he can give an honest and open account of not only privatisation or the intention to privatise but also what will actually happen. We want an honest and open account of how that compares to the option of retaining the assets in public hands. The Greens oppose privatisation and will continue to do so. We will move amendments to the bill in an attempt to improve the audit standard that will be applied.