

## **MUJA AB — REFURBISHMENT**

*Statement by Minister for Energy*

**DR M.D. NAHAN (Riverton — Minister for Energy)** [12.15 pm] — by leave: I rise to deliver an account of the affairs relating to the Muja AB refurbishment project. As I announced to the house earlier this week, the project is suspended while an independent engineering and financial review is conducted to evaluate and report on the project viability from a financial and engineering point of view. This government decided to suspend the project because it is unwilling to provide the injection of additional Verve Energy investment without compelling evidence as to the operational capacity of units 1 and 2 and the financial viability of the project.

In order to provide a full account to this house, it is necessary to consider some history. The Muja AB refurbishment project commenced in 2007 when, as part of Labor's disaggregation of Western Power, the then Labor government instructed Verve Energy to retire Muja AB from service. As a result of this decision, Verve Energy was left with the ownership of a retired power plant, which was valued at negative \$18.8 million, and unsolicited interest from a number of private sector businesses suggesting alternative uses for the facility. In March 2007, Verve Energy consulted with the then Minister for Energy on its plans to undertake a request for proposal process designed to identify a life for Muja AB beyond its scheduled retirement in May 2007. This consultation was undertaken according to section 70 of the Electricity Corporations Act, which requires Verve to consult with the Minister for Energy on any initiative that in its opinion amounts to a major initiative or is likely to be of public significance. On this basis, the decision was taken in March 2007 that a request for proposal process would be commenced to gauge the extent of private sector interest in utilising Muja AB for future commercial purposes. If no commercial interest had been forthcoming, the project would have ceased at that point. On 14 March 2007, a briefing note was provided by Verve Energy to the minister, including a detailed draft of the media release announcing the commencement of the RFP process; a letter to interested parties; general notifications and questions and answers for all staff; and the expressions of interest notification to be published in the media. Thirteen bids were received from the private sector under that process, including binding offers from Griffin Energy and Inalco to refurbish the plant for use as a low-cost, mid-merit coal-fired electricity generator. Inalco became the preferred bidder at the conclusion of the RFP process in May 2008. Inalco is part of the Kempe group of companies. In accordance with section 70 of the act, Verve was required to inform the minister of this decision.

On 21 May 2008, Shirley In't Veld, Verve Energy's then CEO, through the then Minister for Energy, told a budget estimates committee —

... Verve Energy sees Muja A and B playing a significant role in ... the state's energy generation.

Less than a month later in June 2008, the Varanus Island gas facility owned by Apache Corporation suffered a catastrophic failure and, as a result, was out of service for two months, depriving the state of over 300 terajoules of gas a day, or approximately 30 per cent of the total daily consumption. As a result of this supply shortfall, the state faced an energy crisis, and gas supply was curtailed to a large part of industry. Electricity supply was maintained by Verve. At the peak of the crisis, at the direction of the then Minister for Energy, units 3 and 4 of Muja AB were brought back into service and were able to make a contribution towards reducing Verve Energy's diesel fuel consumption, eventually enabling it to release gas for industrial and commercial use.

In December 2008, the Liberal-National government committed to continue the operation of Muja B—units 3 and 4—in order to secure energy supplies to the south west system through the summer of 2009. After nearly eight months of operation, Muja 3 and 4 were again shut down on 31 March 2009. After a period in which technical, commercial and legal due diligence was undertaken, environmental approvals were received and negotiations with Inalco were complete, ministerial approval was sought under section 68 of the Electricity Corporations Act 2005 in April 2010 for the following summary of arrangements: a joint venture be formed with Verve Energy and Inalco, each holding a 50 per cent share and \$150 million of private sector finance be utilised to refurbish the plant. Verve guaranteed the loan, which was taken out by Inalco. Kempe Engineering, the parent company of Inalco, was to carry out the refurbishment works for a fixed price against an agreed scope of work. At the time, Kempe was a leading global service provider with a proven track record in plant construction, maintenance and refurbishment, working for organisations such as Alcoa, BHP and Rio Tinto. Also included in the deal was a 10-year electricity off-take with a private buyer for the supply of capacity from all four units and energy from two units—3 and 4.

In 2010, the then minister was requested to approve an investment in Muja AB that was forecast to turn an \$18 million loss into a project that had a forecast profit for the life of the plant of \$243 million and a predicted rate of return of nearly 27 per cent. The advice from Verve was that this was a highly profitable project from its perspective. This project has a number of other benefits, including increased jobs in the Collie area through to

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

increased demand for coal and jobs at the plant, and the diversity of fuel supply for the state's electricity generation. In addition, the implications of the Varanus crisis and the impact it had on the state's economy was fresh in everybody's mind, and Muja AB had demonstrated its contribution to energy security during the crisis. The minister made the right decision at the time and he granted approval in July 2010 for the refurbishment works to commence. The project structure that was presented made sense from every perspective. Verve Energy's contribution was a facility that had negative value plus a small contribution of about \$2 million in start-up cash and its partner, Inalco–Kempe, was taking a risk on a fixed-price agreed-scope engineering, procurement and construction contract valued at over \$100 million.

In June 2010, at the request of the Public Accounts Committee, the Office of the Auditor General undertook a review of the Vinalco joint venture arrangement with a focus on the apportionment of risk and financial returns from the project. The Auditor General concluded that the apportionment of both risks and benefits to Verve Energy's Muja AB project structure was fair.

The refurbishment works commenced in late 2010 with Kempe local labour and subcontractors. In excess of 200 jobs were created in the south west as part of the project. Plant start-up was expected to be achieved on 1 October 2012. On 9 July 2012, unit 3 suffered an external tube failure in a section of the boiler that resulted in a nearby worker receiving burns to his leg. Following this incident, work was stopped on all the units and boiler inspection and repair works commenced. In July 2012, Verve wrote to the minister seeking approval under section 68 of the Electricity Corporations Act for an additional \$23 million. Under section 68 of the act, Verve must obtain ministerial approval before Verve may enter into a transaction that is either greater than a sum equal to one per cent of the written down value of the consolidated fixed assets and investments of the corporation, as appearing in its last audited accounts, or the sum of \$20 million.

On 30 August 2012, the then Minister for Energy, in accordance with section 68 of the act, gave approval for a \$23 million capital injection into the joint venture. This was entirely appropriate. At the time of the request, Verve advised the government that the \$23 million in additional funding was expected to be sufficient to complete the project. Inalco was unable to fund its share of the capital injection and therefore Verve provided the full \$23 million. This resulted in Verve increasing its share of the joint venture from 50 per cent to 66 per cent. In December 2012, Verve advised the government that the boiler tube corrosion damage had been determined to be significantly more extensive than anticipated and, as a result, a further capital injection was identified as being necessary to complete the project. These boiler tubes are the source of the problem. Usually they corrode from the inside; these ones corroded from the outside. That is what led to the explosion in the plant and has been the major source of the cost blow-out in the project altogether.

In January 2013, Verve wrote to the Minister for Energy advising that costs had increased by a further \$113 million. As a result of this request, on 21 January 2013, the minister, in accordance with section 68 of the act, approved a further \$46.8 million in expenditure to external parties, including an external engineering consultant. The then minister expressed considerable concern to the board and executive of Verve. As part of this approval, Verve Energy was instructed to return to government in April 2013 with a request for final funding to complete the project.

From December 2012, the management at Verve Energy implemented a complete restructure of the project delivery model on the site to ensure that the project was able to be completed at the minimum cost and with the highest possible safety standards. As part of this restructure, a leading independent project management and engineering organisation was appointed to manage the works. Hatch, Siemens, Provecta and Transfield Worley Power Services have all supplemented the extensive Verve resources that have been deployed to the project.

In May 2013, Verve advised me as the new Minister for Energy that the estimate provided in January of \$113 million had now increased to \$144 million. In June 2013, in accordance with section 68 of the act, I approved additional funding of \$5 million to enable work to continue until the matter could be brought before cabinet for consideration. If this funding had not been approved, the joint venture would have become insolvent and the government would have been left with no options.

Muja AB units 3 and 4 have been operating well since 6 February and 17 March respectively, with the usual bedding-in issues expected when refurbished plant is returned to service. These issues are being dealt with in the normal course of operations.

Verve Energy has now reported back to government with the final cost estimate to complete the project. A \$167 million net funding shortfall has been identified based on the following major cost areas: \$81.7 million in boiler repairs; \$40.8 million in capacity refunds, of which \$10 million is the net loss to government as about \$30 million is returned to Synergy under the electricity market rules; and \$21.4 million in EPC out-of-scope variations. The balance is associated with other project delay costs such as transmission access costs that Verve

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

would have incurred in any event. Under the JV structure, Verve Energy was able to pass these costs on to Vinalco. However, Vinalco has been unable to pay Verve for these costs. Despite the requirement for additional funding, advice provided by Verve in May indicated that the project remained profitable with a positive net present value to Verve of \$15 million over the life of the project. This includes all costs of the project, including all expected overruns. Though positive, it is marginal.

The government has taken the decision to temporarily suspend works on Muja units 1 and 2 while we seek external independent verification of both the engineering status of the project and financial cost analysis provided by Verve Energy. I make it clear that Muja units 3 and 4 will remain in service supplying power to fulfil the contract to a private sector retailer. This has opened up additional retail opportunities for low-cost, reliable coal-fired electricity.

The government has instructed Verve Energy to exit Inalco from the joint venture and Verve will assume full control of the project. This does, however, mean that Verve will be responsible for the \$150 million debt. If the project continues, the government will consider the options for selling down equity in the project, either in part or full.

We have not taken the decision to suspend works or take full control of the project lightly as there are also costs associated with delaying this project should it still proceed. Given the history of the project and the significant growth in costs that have been presented to the government over the past 12 months, the government did not have confidence that if further additional funding was provided for the project, it would be sufficient to complete the project. The government is simply not willing to invest any further significant funding in this project until it can be satisfied that there are no further technical issues that have not yet been identified or that this project will be profitable for taxpayers. It will, however, be necessary to secure the safety of the site and exit Inalco from the project. This may require further modest and practically unavoidable expenditure.

There has been a fundamental error in this project. Verve Energy failed to undertake the necessary technical and due diligence to ensure that there were no problems with existing plant. This failure has led to significant cost increases that are ultimately borne by the taxpayers of Western Australia. This is an unacceptable outcome. I do, however, accept that there are significant risks with the construction of major infrastructure. We have seen this occur on a number of projects throughout Western Australia. This highlights the need for the private sector to take a greater role in the construction of future generation requirements in the state to ensure that construction risk is passed from the taxpayers of Western Australia to the private sector.

Several members interjected.

**The ACTING SPEAKER (Mr P. Abetz):** Members! The minister has the right to be heard in silence.

**Dr M.D. NAHAN:** This is what the government intends to do in the future.

*Standing Orders Suspension — Motion*

**MR M. McGOWAN (Rockingham — Leader of the Opposition) [12.30 pm] — without notice:** I move —

That so much of the standing orders be suspended —

*Point of Order*

**Mr C.J. BARNETT:** This is a ministerial statement. The standing orders give the opposition the right to respond for, I think, 20 minutes to that ministerial statement. It is inappropriate to be suspending standing orders in the middle of a formal ministerial statement.

Opposition members: He's finished!

**Mr C.J. BARNETT:** Are you giving up your opportunity to respond?

**Mr B.S. Wyatt:** No, not at all.

**Mr C.J. BARNETT:** Well, respond. You have an opportunity to respond for 20 minutes.

**The ACTING SPEAKER:** I have just been advised that the Leader of the Opposition can respond to the ministerial statement either immediately or at some stage later in the day.

**Mr M. McGOWAN:** The standing orders are quite clear in that either I or a member deputed by me can do so at any time during the day for 15 minutes. At this stage, I am not electing to do that.

*Debate Resumed*

**Mr M. McGOWAN:** I move —

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

That so much of the standing orders be suspended as is necessary to enable the following motion to be moved forthwith —

That this house condemns the Barnett government for its whitewash of the Muja AB scandal and failure to provide a full and comprehensive report, and therefore calls on the government to hold an independent inquiry into the loss of taxpayers' funds incurred.

I am seeking agreement from the government to have a proper debate on this matter, considering the promises made by the Premier and the minister over previous weeks that there would be full accounting—a full report—presented to this Parliament on this loss. Later today the shadow Minister for Energy will speak, as he is entitled to do under the standing orders, for 15 minutes in response to the minister's statement. What I think needs to happen here is proper accounting by the Premier and the minister as to why they have not provided a full and comprehensive report into the loss of \$266 million plus further expenditure by the state, potentially totalling \$433 million, for a power station that the Premier said would cost taxpayers nothing. I want to set out why this matter is urgent and why we need to have a proper suspension of standing orders. The reason we need a proper suspension of standing orders to discuss this matter is that what this minister and the Premier have done is totally contrary to what they told the house over previous days they would do. I will quote what the Premier had to say a week ago. The Premier said on 20 June —

Mr Speaker, when we have completed this, we will prepare a full report on the project, and we will make that available to Parliament.

An eight-page, 15-minute accounting for the loss of \$266 million is not a full report. This is a whitewash worthy of Richard Nixon that this Premier has put in place. The Premier said a week ago in this house —

**Mr C.J. Barnett:** What day?

**Mr M. McGOWAN:** On 20 June the Premier said in this house —

... we will prepare a full report on the project, and we will make that available to Parliament.

**Mr C.J. Barnett:** And we will.

**Dr M.D. Nahan:** We will.

**Mr M. McGOWAN:** Is there another report to come?

**Mr C.J. Barnett:** Yes.

**Mr M. McGOWAN:** What is this?

**Mr C.J. Barnett:** This is a ministerial statement on a decision made this week.

**Mr M. McGOWAN:** The Premier said that there would be a full report.

**Mr C.J. Barnett:** Three days ago.

**Mr M. McGOWAN:** The Premier needs to provide a full report now.

Several members interjected.

**The ACTING SPEAKER:** Members, let us have some order! No-one can hear what is being said.

**Mr P. Papalia:** A great revisionist!

**The ACTING SPEAKER:** Member for Warnbro, I call you to order for the first time.

**Mr M. McGOWAN:** It would be easy for the Premier to explain his position and what will happen in due course were he to allow a suspension of standing orders so that we could discuss this matter. Surely this is the most important matter before the Parliament of Western Australia today. Surely the Premier can provide some advice on what he is going to do on this matter, because at the moment there is mass confusion. A full report was supposed to be tabled this week. I can go through the Premier's other remarks on this matter. He said just yesterday —

The minister will provide information as fully as he is able to.

**Mr C.J. Barnett:** He has done so.

**Mr M. McGOWAN:** No, he has not. If he was providing information as fully as he was able to, as the Premier said to this house yesterday, where are the engineering reports, where are the technical reports, and where is the advice provided by Verve upon which the minister said the government acted to make "the right decision"? Where is all that information? That information should be sitting on the table of the house right now for us to examine. That is where it should be. Instead of the minister nodding and looking, frankly, goofy in the way in

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

which he is dealing with this, he should be putting that information before the house right now for us to debate and discuss. Why is the minister hiding this information from the Parliament and presenting what is, frankly, a pathetic sham of a report on this matter? I would have hoped that the Premier would allow us to seek to have —

**Mr J.H.D. Day:** It is a stage in the process.

**Mr M. McGOWAN:** A stage in the process! Government members are experts at whitewashing. The minister should provide a full account of what has gone on here and now, and not what is in this report. This report does not even mention that in May 2009, the Minister for Energy's predecessor and this Premier went out and told the people of Western Australia that this project would cost them nothing.

**Mr C.J. Barnett:** That is right.

**Mr M. McGOWAN:** That is the basis on which we have ended up here today. Instead, we have got a partially operating power station at a loss of \$266 million, and in order to get it fully functional it will cost in the vicinity of \$433 million. Now the minister has said that he does not know if it will even get there. There should be proper accounting of all those things. The Premier should stand up, have a debate and explain himself, because this project has his name all over it. We have learnt as this matter has gone forward that the Premier signed off on additional funding to be thrown into the black hole of this project without putting it through the cabinet process. He signed it off; one after another, cheque after cheque, totalling many tens of millions of dollars. Where is the mention of the role of the Premier in all of this? Where is the mention of the role of the Premier in negotiating the original deal? Where are the technical reports? Where are the financial statements upon which the minister has relied and upon which he said the right decision was made? The report is completely contradictory. In the course of the report he said —

*Point of Order*

**Mr J.H.D. DAY:** The Leader of the Opposition is seeking to suspend standing orders to allow a debate. He needs to define his argument as to why this is a matter of urgency such that the standing orders should be suspended, rather than going at great length into the substance of the issue.

*Debate Resumed*

**Mr M. McGOWAN:** I will keep coming back to why it is urgent; that is, the Premier said on numerous occasions in recent weeks that a full report would be tabled in this house. He said this, on 20 June —

We will go through all of this fully and table a report to Parliament. If the opposition is dissatisfied with that report, it can question it to its heart's content.

We are taking the Premier up on his offer! That is what he said a week ago. As I said before, the Premier said yesterday —

The minister will provide information as fully as he is able to.

The Premier has not provided information as fully as he was able to. He said on the radio yesterday that he would provide a full report. The Premier has done it day in, day out. I quote what the minister himself said on 20 June —

There will be a number of inquiries.

Where are the inquiries? Where is the inquiry? Who is conducting it? Why will the government not allow a committee of the house to examine this issue? Why will the government not allow a full and frank disclosure of everything that has gone on? This is a scandal of the highest proportions! It is a scandal of the highest proportions that in order to get a power station that the Premier said would cost nothing, the taxpayers of Western Australia will have to spend \$433 million. At this point —

**Mr T.R. Buswell:** You made that figure up!

**Mr M. McGOWAN:** Let us have the debate and I will take you through it, my friend. If the government gives us time to do that, I will take members through exactly how they get to that point if they read and examine exactly what is in this eight-page flimsy that this minister has put before the house.

We are saying that the Premier's role has been airbrushed from this report. We are saying that the Premier himself said that a full report would be tabled in this house. We are saying that this is a scandal that needs a proper debate. The Premier is flippant about the loss of massive amounts of taxpayers' money and he deserves to be held to account for that. We are saying that this is the house in which to do it; this is the place in which to do it. This house will not sit for another five weeks. At that time, we will be in the budget process and most probably a federal election campaign. Now is the time to debate these issues, not to wait until the government gets the cover of those other events. Now is the time for the Premier to provide an accounting. Now is the time

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

for the government to put forward all those reports upon which it made these decisions, so they can be examined. The fact that the government will not do that basically means that all of that information upon which the minister and his predecessor relied was qualified. It was qualified information. It was qualified in the recommendations it put to the minister; otherwise, he would make it available. The fact that it is qualified—I am absolutely positive it is qualified—means that all the government's assurances that the right decisions were made are built on feet of clay.

Several members interjected.

**Mr M. McGOWAN:** Table the reports! Table the advice. There is absolutely no problem with doing so. The public of Western Australia has picked up all the costs. We cannot do any worse out of it. We are the ones who have picked up all the costs from this. We cannot do any worse, so at least account for the loss of taxpayers' money. If we were shareholders in a corporation, this information would be provided. But we are only the Parliament and the taxpayers and the people of Western Australia, so the government hides it. That is why this matter is urgent. It is a disgrace that the government does not do this! It is a disgrace that the government does not account. The Premier should allow a debate and he should stand and answer these claims and questions. He should give us time so that both I and the shadow Minister for Energy, who in conjunction with Peter Kerr at *The West Australian* has uncovered what is frankly a scandal, are able to debate this matter, go through our calculations on how we reach this figure, which I think is quite clearly correct, and come up with that advice, and also hear from the Premier about his role in what has gone on. Frankly, in this report, there is at least a year, potentially two, airbrushed out and they were the times in which the Premier was involved. It does not even mention the Premier's initial assurance. How can a report into this matter not even mention the Premier's initial assurance that it was not going to cost taxpayers' money? How can it not even mention the fact that the Premier emerged from cabinet having made the decision, on the basis of a cabinet decision, and not even mention his role? How can the report not even mention that these additional payments did not go through the cabinet process? How can all those things be excluded from this accounting to the Parliament? How can that be? It is a sham. It is a cover-up. It is a whitewash and this Premier is up to his neck in it.

**MR C.J. BARNETT (Cottesloe — Premier)** [12.44 pm]: I want to make a few comments on what the Leader of the Opposition had to say. Maybe for the benefit of newer members, I will point out what is going on. A ministerial statement has just been made by the Minister for Energy, and he was listened to in relative silence. He gave a report on the situation as it is known to government as of today.

**Mr W.J. Johnston:** No, he hasn't. It's not true.

**Mr T.R. Buswell:** It is true.

**Mr W.J. Johnston** interjected.

**The ACTING SPEAKER (Mr P. Abetz):** The Premier has the floor.

**Mr C.J. BARNETT:** The standing orders and the conventions of this Parliament on ministerial statements are that a minister may make a ministerial statement, which the Minister for Energy has just done, and that he will provide a copy of that to the opposition two hours previously, which he did. At 10 o'clock this morning, the opposition was given a copy of the statement. The convention would be that the opposition would then get up, having had that eight-page document for two hours, and respond. What we have seen today is that the Leader of the Opposition or the energy spokesman have been incapable or unwilling —

Several members interjected.

**The ACTING SPEAKER:** Members!

**Mr C.J. BARNETT:** There is very faint laughter!

Several members interjected.

**The ACTING SPEAKER:** Member for Cannington!

**Mr C.J. BARNETT:** The opportunity is there and by convention, the opposition would get up and respond immediately to that ministerial statement, which it has had for two hours. It is not a particularly long statement—quite straightforward.

Several members interjected.

**The ACTING SPEAKER:** Members!

**Mr C.J. BARNETT:** The fact is that the opposition did not do so. The opposition did not respond —

**Ms R. Saffioti:** You made a decision —

**Mr C.J. BARNETT:** No, I am not listening to you!

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

Several members interjected.

**The ACTING SPEAKER:** Members!

**Mr C.J. BARNETT:** It would not have been too difficult —

**Mr W.J. Johnston** interjected.

**Mr C.J. BARNETT:** I am not interested in you.

*Distinguished Visitors — Mr Lou Giglia, AM—Kevin Hogan, OAM*

**THE ACTING SPEAKER (Mr P. Abetz):** Members, let us have some order. While I am on my feet, I would like to acknowledge Mr Lou Giglia, AM, and Kevin Hogan, OAM, in the Speaker's gallery. Welcome to the Parliament; you have certainly come at a very entertaining time!

*Debate Resumed*

**Mr C.J. BARNETT:** For whatever reason, the opposition found —

**Mr W.J. Johnston** interjected.

**The ACTING SPEAKER:** Member for Cannington, I call you for the first time.

**Mr C.J. BARNETT:** For whatever reason, the opposition was either unable or incapable or just simply chose not to use its opportunity to respond to a statement that it had had for two hours. Two hours is a long time to absorb a mere eight pages of commentary. I do not know why the opposition did not do that, because normally the opposition would respond immediately.

Several members interjected.

**Mr C.J. BARNETT:** Members opposite have just demonstrated their incapacity to deal with the issue.

Several members interjected.

**The ACTING SPEAKER:** Order!

**Mr C.J. BARNETT:** Dodgy? Okay, we will keep going.

Several members interjected.

**The ACTING SPEAKER:** Order! Member for Bassendean, please—silence.

**Mr C.J. BARNETT:** Having failed to do the normal and proper thing to respond, the Leader of the Opposition then got up with yet another motion to suspend standing orders for yet another inquiry that he wants. The opposition has done this a few times.

Several members interjected.

**Mr C.J. BARNETT:** The Leader of the Opposition made accusations about the commitments that I and the minister made. He referred to them and I want to refer to them. On 20 June, yes, one week ago—that is why I asked for the date—Thursday of last week, he said that I made commitments on a report. I want to read out what I said. This is what I said —

Mr Speaker, when we have completed this, —

“This” refers to the whole issue —

we will prepare a full report on the project, and —

**Mr P.B. Watson** interjected.

**The ACTING SPEAKER:** Member for Albany, I call you for the first time.

**Mr C.J. BARNETT:** So, again, Mr Speaker, this is what I said —

Mr Speaker, when we have completed this, we will prepare a full report on the project, and we will make that available to Parliament.

That was on Thursday last week. On Monday this week cabinet considered the issue and made the decision that the project would not proceed any further and that it would be mothballed, as detailed by the Minister for Energy. I was asked about the issue, the report, yesterday. Bear in mind cabinet made this decision on Monday and a brief ministerial statement was made by the minister on Tuesday. I was asked about the issue yesterday—two days after the cabinet decision. It is now only three days after the cabinet decision. Yesterday I said —

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

There will be a report tomorrow. I do not expect that the Minister for Energy will be able to give a total and detailed report because cabinet only made the decision not to proceed with Muja A and B this week.

That is what I said yesterday. Neither the government nor the minister will be in a position to give a full report. I said that to the opposition yesterday. Did it not listen? Did it not even read *Hansard*? That is what I said. I made it very clear yesterday in my comments on radio and in here that there would be a full report when the issue is at that stage. There are still issues. What I said very clearly in the house yesterday is that the minister would be making a statement but it would not be the full and detailed report, because a decision was made only three days ago—at that stage, two days ago. The opposition could not even comprehend that! It is embarrassing that the opposition cannot respond to a ministerial statement two hours after it was made. It is embarrassing that it cannot distinguish —

Several members interjected.

**The ACTING SPEAKER (Mr P. Abetz):** Members! The Premier is entitled to be heard. Some interjections are acceptable, but this is unacceptable.

**Mr C.J. BARNETT:** It is embarrassing for the opposition that it could not respond —

Several members interjected.

**Mr C.J. BARNETT:** Mr Speaker, I am addressing the Chair.

Several members interjected.

**The ACTING SPEAKER:** Members! I will start calling names again. Let us have some semblance of order in this place.

**Mr C.J. BARNETT:** Mr Acting Speaker, it is —

**Mr M.P. Murray:** What is the date of the report?

**The ACTING SPEAKER:** I call the member for Collie–Preston to order for the first time.

**Mr C.J. BARNETT:** It is embarrassing for the opposition to not be able to respond to a ministerial statement once it is delivered. It is also embarrassing for the opposition —

**Ms R. Saffioti** interjected.

**The ACTING SPEAKER:** I call the member for West Swan for the first time.

**Mr C.J. BARNETT:** It is also embarrassing for the opposition not to be able to read, listen to or understand what was said when I said a week ago, prior to the cabinet decision, that there would be a full report, which I have repeated on several occasions. I said yesterday that the minister will give a report, a ministerial statement, basically, to this Parliament. I made it very clear that it would not be a full and detailed report, given that all the information is not yet available and given that the decision was made on Monday. The opposition had Tuesday, then Wednesday and now it is Thursday.

The opposition is floundering now. I repeat to the Leader of the Opposition, who does not even listen now, that there will be a full report. It will be brought to Parliament and tabled once it is prepared. What we have heard today is a detailed update by the minister on the state of affairs, as they are today. When we have finished with this issue—we are still going through some aspects of it—a full report will be prepared on all aspects and tabled in Parliament. It is not possible to do that in two days, but the opposition, having had two hours, could not even respond to the minister. It is incapable of doing the hard work, incapable of getting across the issue, and is calling yet again for another open-ended inquiry. It is hopeless. The minister has given a damn good report to Parliament and the opposition will get a full report in due course.

**MR W.J. JOHNSTON (Cannington)** [12.54 pm]: Thank you very much, Mr Speaker.

**Mr P.B. Watson:** The heart goes tick, tick!

**The ACTING SPEAKER:** I call the member for Albany for the second time.

**Mr W.J. JOHNSTON:** Yesterday the Premier went on radio and said that the Minister for Energy would present a report by the end of the week. That is what the Premier said. The Premier did not go on radio yesterday and say that the minister would provide a report by Christmas 2015. That is not what the Premier said on radio yesterday. The Premier needs to be honest. He needs to come into this chamber and be honest. Why did he go on radio yesterday and fail to tell the truth? Why did he go on radio with Geoff Hutchison on 720 and say that the minister would present a report to Parliament?



Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**Mr C.J. Barnett:** And I did!

**Mr W.J. JOHNSTON:** Today he says he gave us a ministerial statement. Where is the report? Where is the copy of the engineering advice? Where is the copy of the financial plan? The Minister for Energy says in here that this project will make \$15 million over the next 15 years. How did he calculate that figure? Why is the Premier too afraid of this to provide any genuine information to this chamber?

That is why this matter is urgent. We must have proper accounting from the Premier and we must have an inquiry because the Premier is hiding the truth. He has hidden the truth every day that he has been here. There is not a single mention in this document of the Premier's meetings with the chairman of Verve, which the Premier talked about on radio yesterday. Why is there not a single mention in this document of meetings with the Verve chairman and executives? The Premier talked about that on radio yesterday. Why was that expunged from here? Why is the Premier's involvement on 11 May 2009, when he promised every Western Australian that this project would be financed by the private sector, expunged from this document? We find in this document that actually what they call "private financing" is a guarantee by Verve. A taxpayer guarantee has turned into a private financing arrangement; that is dishonesty. There is no other word. That is why it is urgent that we start an inquiry. We have not had a single word of truth spoken about this project by any member in the government in either chamber.

The minister has given an answer in the upper house to a question from Hon Samantha Rowe that cabinet decisions underpinned the injections of capital into Vinalco; that was the answer given by the Minister for Energy. His signature is on the bottom of the answer. Yet he came in here today and said that there had been no cabinet decision. No cabinet decision! Why did he say in the other house that it had been the subject of a cabinet decision? These are the matters that need to be investigated and that is why it is urgent. That is why we need to have a proper inquiry.

Why does the Premier not want any of the officials involved in this matter examined on oath? Why does he not want them cross-examined? Because they will tell the truth! For the first time in this debate, a member representing the government would come in and tell the truth! The problem is that the Premier is not telling the truth when he comes into this place. Look at the way he tried to slip out of his commitment to the Parliament yesterday. He slipped out of his commitment by saying, "Oh, well, I did say that the minister was going to report by the end of the week, but that's not the report I was talking about yesterday." What a slippery man he is! They are slippery words and are the slippery tricky words that the Leader of the Opposition was so correct in identifying with the former US President, Richard Nixon. That is the attitude of this man—"Don't worry about what you think I said; I'm going to change what I meant after I have said it."

The Premier said yesterday that there was to be a complete report today.

**Mr C.J. Barnett:** No, I did not!

**Mr W.J. JOHNSTON:** Yes, you did.

**Mr C.J. Barnett:** I did not!

**Mr W.J. JOHNSTON:** That is exactly what you said. The Premier said it on radio with Mr Hutchison on ABC 720. It was not on FM, as the member for Willagee points out. The Premier might be able to get away with the excuse that it was an FM promise if he was on the FM radio, but he was on AM radio. He is supposed to tell the truth on AM radio, as the Acting Speaker (Mr P. Abetz) understands. That is why it is so urgent. We do not want a whitewash; we do not want the dishonest piece of paper that has been given to us today. We want the truth. What is the involvement of the Treasurer? The Premier went on radio yesterday and said that the Treasurer had been involved in this matter. Not once is the Treasurer mentioned in this document. What was his involvement? Did Treasury get to review any of the matters? We know that it must have had some concern because it is in the *Pre-election Financial Projections Statement*. Not once is that mentioned in this document! What a disgrace. This is a disgrace. The Premier should be embarrassed. No wonder he is embarrassed because he should be. This is not right. This is a very, very bad thing we are doing here if we do not allow an inquiry; that is why it is urgent. This document says that in July last year, the \$80 000 investment by Vinalco was valued by Verve at \$24 million. The document also says that the minister is considering paying out Vinalco. Is the government intending to pay out millions of dollars to Vinalco for an \$80 000 investment? Is that what it is proposing? Because the document says that is what is being contemplated. This is not right. We should not allow the Premier to use these slippery words on radio and in this chamber without being honest to the Parliament and the people of the state and without telling everybody the actual truth in this matter. He is not prepared to have a proper accounting or to bring the documents, advice and the information necessary to let us all judge.

Debate interrupted, pursuant to standing orders.

*Sitting suspended from 1.00 to 2.00 pm*

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**The SPEAKER:** As we were on a motion to suspend standing orders before the lunchbreak, this will take precedence until it is completed or otherwise dealt with. Once it is completed, we will have question time followed by private members' statements.

**Mr W.J. JOHNSTON:** In deciding whether this needs to be dealt with urgently, we need to look at all the costs involved. In 2010, \$2 million was spent. There is \$150 million worth of expenditure through borrowings from the ANZ Bank through a debt facility that was guaranteed by the taxpayer and never reported to the Parliament or anywhere else. An amount of \$23 million in July 2012 was spent in secret and not admitted by the minister. An amount of \$46.8 million was spent, again in secret, just before the election and days before the caretaker period started. The Premier then went to Collie and said that everything was going well with the project and attacked the Labor Party for not supporting it. In June this year, another \$5 million was spent. That adds up to \$226.8 million. On top of that, the \$40 million of capacity credits bring it to a total of \$266.8 million. It is interesting that at lunchtime the minister held a media conference and said that that amount added up to \$280 million. The opposition has always been conservative on this. We originally talked about \$250 million. Today we can identify \$266.8 million and the minister does a doorstep interview at lunchtime and says the total is \$280 million. Page 6 of this document states —

To bring this project to an end would require a further \$167 million.

If we add that up, we get well over \$430 million. A huge amount of money is being spent and committed by this government, generally in secret; it was almost never reported in public. It is a shambles. It is a scandal. There must be a full and proper and complete inquiry. The government is resisting holding a proper open inquiry for only one reason—it knows what it will find; it will find the fingerprints of the Premier every step of the way. It will also find the fingerprints of the Minister for Energy and the Treasurer. They are the ones responsible. It was never reported in public until the Labor Party exposed this scandal. There must be an inquiry and that is why it is urgent to suspend standing orders.

**MR T.R. BUSWELL (Vasse — Treasurer)** [2.05 pm]: I reflected over the lunchbreak on the arguments put by the opposition about why this is an urgent suspension of standing orders and when we distil them down, effectively two arguments have been made. One relates to the Premier's comments both in Parliament and supposedly, if we believe the member for Cannington, on Geoff Hutchison's program yesterday. The opposition's argument—I think I have it right—is that the Premier clearly said that a full and comprehensive report would be tabled in this Parliament today. Certainly, that is the impression that the opposition's argument created. I thought it would be opportune to briefly reflect on what was said by the Premier both on ABC 720 yesterday and in the house. Of course, I cannot quote directly from the uncorrected proof, but I will —

**Mr W.J. Johnston:** The Premier did.

**Mr T.R. BUSWELL:** I will reflect on it as best I can. It says words to this effect —

There will be a report tomorrow. I do not expect that the Minister for Energy will be able to give a total and detailed report because cabinet only made the decision not to proceed with Muja A and B this week. The minister will provide information as fully as he is able to.

I have re-read the minister's statement and that is exactly what he did. Members have come in here and tried to create the impression that the ushers with volumes of information and people with trolleys loaded with data would come in and it would be laid out on the table so that we could all pore over it. That is not what was said at all.

Several members interjected.

**Mr T.R. BUSWELL:** The minister's statement is entirely consistent with what the Premier said in Parliament yesterday. Then the member for Cannington waxes on, as is his style, about what was said on ABC 720 yesterday morning in an interview between the Premier and Mr Hutchinson. He led us to believe that if we read the transcript, we would see that the Premier again committed to this full and comprehensive report. I have a copy of the transcript because I am interested to understand whether the information the member for Cannington presented to the house bears any resemblance to the facts. Do members know what I found? It did not. Not for the first time there has been a divergence between the facts of the matter and the words that pass from the mouth of the member for Cannington.

Several members interjected.

**The SPEAKER:** Members!

**Ms R. Saffioti** interjected.

**Mr T.R. BUSWELL:** I have not read it yet.

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**The SPEAKER:** Member for West Swan!

**Mr T.R. BUSWELL:** I am quoting the transcript of the Premier on Geoff Hutchison yesterday —

Now, as I said ... and I said in Parliament yesterday, Mike Nahan will provide... I guess, an interim report —

**Mr W.J. Johnston** interjected.

**The SPEAKER:** Members! You have just had a chance to talk, member for Cannington.

**Mr T.R. BUSWELL:** I will read it again.

**Mr W.J. Johnston:** I am being verbally.

**The SPEAKER:** Member for Cannington, I formally call you to order for the second time today.

**Mr T.R. BUSWELL:** The member for Cannington is not being verbally. I am reading into *Hansard* a quote from Geoff Hutchison's show yesterday. I am not making something up. I will table it so he can look at it —

Now, as I said ... and I said in Parliament yesterday, Mike Nahan will provide ... I guess, an interim report, and in that he will detail the costings.

The member for Cannington did not mention an "interim report". That seemed to be dropped from his reflection on the facts —

I can't give you a figure right now. Hopefully by tomorrow Mike Nahan will be able to lay down what we believe the costs will be.

That is what the Premier said yesterday on Geoff Hutchison and that is exactly what the Minister for Energy said in his ministerial statement, which of course reflects what the Premier said yesterday on the radio. I will read the pertinent section of that, because it deals with this issue of cost. It is on page 6 of the ministerial statement —

- Verve Energy has now reported back to Government with the final cost to complete the project.
  - A \$167 million net funding shortfall has been identified based on the following major cost areas:
    - \$81.7 million in boiler repairs;
    - \$40.8 million in capacity refunds (of which about \$10 million is the net loss to Government as about \$30 million is returned to Synergy under the electricity market rules);
    - \$21.4 million in EPC out of scope variations; and

the balance is associated with other project delay costs such as Transmission Access costs that Verve would have incurred in any event, however, under the JV structure were able to pass on the Vinalco. However, Vinalco have been unable to pay Verve these costs. That is, I think, on any reasonable examination of what the Premier said yesterday, entirely consistent—Mike Nahan will be able to lay down what we believe the costs will be. It is exactly what he did. To come in here and puff themselves up like a school of blowfish and pretend that there is this massive issue in relation to what the Premier said and what the minister said today is quite clearly wrong. Any argument that we should suspend standing orders as a matter of absolute urgency, based on that argument, falls away very quickly when we examine the facts as they are now available to all of us to consider.

The next point deals with the issue, and there is a big issue. No-one on this side has hidden from the fact that the \$167 million is a big issue.

**Mr D.J. Kelly:** How much?

**Mr T.R. BUSWELL:** The \$167 million that the minister outlined is a significant issue; it is a major issue. It has highlighted a whole range of flaws in the processes that sat around this project. I think we have to be cognisant of one fact. The opposition is making an argument that this money is completely lost. It is as though the government has gone up to the top of Dumas tower with bucketfuls of cash—\$167 million of cash—and tipped it to the wind. It has blown away; it is lost to government forever.

**Mr P. Papalia:** It's the same result.

**Mr T.R. BUSWELL:** It is the same result, is it, member for Warnbro? Ask the member for Collie—Preston whether it is the same result to have Muja A and B and 3 and 4 up and running. Is that the same result? Of course it is not the same result, because albeit at a price that is not acceptable —

**Mr B.S. Wyatt** interjected.

**Mr T.R. BUSWELL:** No, it is not.

Albeit at a price that is unacceptable, we now have 110 megawatts of electricity generating capacity down in Collie —

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**Mr M.P. Murray:** And you could have had 300 megawatts for the same price.

**Mr T.R. BUSWELL:** We could have if some of the member's mates working on the project had pulled their fingers out, my friend. We could have if some of your union mates down there in Collie —

Several members interjected.

**The SPEAKER:** Member for Victoria Park, I call you to order for the first time. Now we are coming close to question time. I do not want questions across the chamber. Members can ask their questions in due course.

**Mr T.R. BUSWELL:** The fact is that at a price that is unacceptably inflated, we have power generation units up and running—110 megawatts.

**Mr M.P. Murray** interjected.

**Mr T.R. BUSWELL:** If the member for Collie–Preston wants, we will go down and turn them off. Does the member want us to do that? He comes in here and bumps on about the working folk of Collie. He wants to put them all out of a job. He needs to have a reality pill.

I will get back to the argument at hand, and that is: is this urgent? Clearly, it is not. A number of new members are in the house. Before I sit down, I want to pass some observations on what may be interpreted as being a waste of money. For the Labor Party to come in here and say that this is a waste of money is like the scene in *Crocodile Dundee* when the young punk pulls out the knife and Mick Dundee rips out the big slasher, because that is not a waste of money. I am going to tell members what a waste of money is from a historical perspective.

Several members interjected.

**The SPEAKER:** Members! Member for Mandurah!

**Mr T.R. BUSWELL:** Members in this house —

**Mr D.A. Templeman** interjected.

**The SPEAKER:** Member for Mandurah, I call you to order for the first time.

**Mr T.R. BUSWELL:** I am attempting to use an example to highlight the hypocrisy of those opposite when they come in here and talk about waste. I had almost a smorgasbord of choices.

Several members interjected.

**Mr T.R. BUSWELL:** I have, but as I head off into dry July next week, I look forward to the member for Cockburn's sponsorship. I am sure that these hard-earned kilos will melt away, and that will not be a waste of money either. I will give the member for Cockburn a tax receipt for that. I cast my eye over the buffet of wastage to provide an example so that we could understand that this is not urgent, because I know you wanted me to do that, Mr Speaker. From that buffet I have chosen one project that the Labor Party had responsibly for in government. It is called the Office of Shared Services. So, for the purposes of making my example, I will quickly detail some of the points around the Office of Shared Services.

*Point of Order*

**Mr M. McGOWAN:** Mr Speaker, as you correctly identified, we are shortly going to be in question time. As this motion is obviously going to be voted down by the government, I would ask the Treasurer to stick to the urgency of the matter rather than delve into matters that, had the government agreed to a proper debate, we could have had a proper debate about, and I would be more than happy to debate you on that one, my friend.

**Mr P.T. Miles** interjected.

**The SPEAKER:** Sorry. Member for Wanneroo, this is a point of order. I call you to order for the first time. Treasurer, if you want to make an example, make your example and move on.

*Debate Resumed*

**Mr T.R. BUSWELL:** Thank you, Mr Speaker, and I shall, in some detail. It is important, because a lot of members here were not around when the —

**Mr M. McGowan:** In some detail?

**Mr T.R. BUSWELL:** Brief detail, Leader of the Opposition. There is no need for the Leader of the Opposition to overexcite himself. He will puff up and burst again.

**Mr M.P. Murray** interjected.

**The SPEAKER:** Member for Collie–Preston, I call you to order for the second time. I did not catch what you said, but if you have said something untoward, I suggest you stop.

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**Mr T.R. BUSWELL:** The Office of Shared Services was a concept of the Labor government to centralise IT for all government agencies, with the exception of education and health, out in Cannington, member for Cannington. When it released the business case—I will make a few simple points—it said this: it will cost —

**Mr W.J. Johnston:** The business case was released, was it? Where is the business case?

**Mr T.R. BUSWELL:** I will give the member a copy to read. It said that it will cost \$82 million, and it will save \$51 million per annum. The net —

Several members interjected.

**The SPEAKER:** Members! Member for Armadale! Treasurer, can you please talk through the Chair and let us move on. I call you to order for the first time, member for Armadale.

**Mr T.R. BUSWELL:** Thank you, Mr Speaker; I will.

The cost would be \$82 million and the benefits per annum would be \$51 million. Net present value benefits over the first eight years of operation would be \$171 million. It was a pretty good idea. Guess what happened? The cost was \$450 million. Savings generated to the state: nothing—not one zack. NPV identified: minus \$345 million. That is a loss. That is turning a \$171 million estimated profit into a \$345 million loss. That is a \$516 million waste of money. And guess what we have got? We do not have a power station for that, member for Collie—Preston. We had an empty building in Cannington for a while. Now all we have got is a headache. That amount of money delivered not one cent of benefit to the taxpayers and government of this state. That, ladies and gentlemen, is a loss. So when we compare that loss with the issues being talked about today that have delivered —

**Mr M. McGowan:** It is \$420 million.

**Mr T.R. BUSWELL:** I will just get my Perth Arena file out now, Leader of the Opposition, because, clearly, the use of an example has not sunk in. Does the Leader of the Opposition want me to use more? There is a buffet of them, and I did not eat that, member for Cockburn.

There is the point. The Premier's comments were entirely accurate. The Premier's comments were —

**Mr B.S. Wyatt** interjected.

**The SPEAKER:** Member for Victoria Park, I call you to order for the second time. Are you finished, Mr Treasurer?

**Mr T.R. BUSWELL:** Almost, Mr Speaker.

I just want to highlight, through that example, some of the differences in how this project, with its flaws, has played out compared with the Office of Shared Services. We would come into Parliament day after day after day and ask questions about Shared Services. Not once did the responsible minister ever get up and make a statement to the house in a manner that the Minister for Energy made today—not once. The only way that information was provided eventually was when the Labor government was dragged kicking and screaming to the table by the Auditor General. Yes, there have been issues with this project; nobody is running from that. The comments made by the Premier are consistent with the statement made to the house by the minister. My simple suggestion to the Leader of the Opposition is to stop coming in here bleating on. He has 15 minutes to deal with this issue. He has had the document for nearly four and a half hours. Surely he is now in a position to use his 15 minutes to make an appropriate response.

**The SPEAKER:** Leader of the Opposition.

**MR M. McGOWAN:** I rise to close this debate. It is quite obvious —

**Mr C.J. Barnett:** Hang on! You can't close it; you have to wait until it is finished. You can't do that.

**The SPEAKER:** Sit down, Leader of the Opposition. The Minister for Energy wishes to speak.

**DR M.D. NAHAN (Riverton — Minister for Energy)** [2.20 pm]: Thanks, Mr Speaker.

*Point of Order*

**Mr M. McGOWAN:** Mr Speaker, when you give the call to a member, does that mean you are giving the call to a member or does it not? This is an important point about your management of Parliament. If you give a member the call, do they get the call or do they not, because often in the management of this place members get the call and then they are not permitted to speak. I want to know what the actual rule is in this place.

**Mr J.H.D. DAY:** On the point of order, it is entirely reasonable and appropriate, as in accordance with past practice, that you as Speaker, or whoever is in the chair, is able to exercise discretion.

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**Mr B.S. Wyatt** interjected.

**The SPEAKER:** Member for Victoria Park, I call you to order for the third time.

**Mr J.H.D. DAY:** Mr Speaker, it is entirely your judgement.

**Mr C.J. BARNETT:** Further to the point of order —

**Mr P.B. Watson** interjected.

**The SPEAKER:** Member for Albany!

**Mr C.J. BARNETT:** Further to that point of order, the obvious point in addition as to why your decision was correct is that the Leader of the Opposition has already spoken on this debate so he cannot get the call.

**Mr W.J. Johnston:** Yes, he can!

**Mr C.J. BARNETT:** No, he has already spoken on this debate so the call should go to another speaker.

**Mr W.J. Johnston:** It is in the standing orders!

**The SPEAKER:** Order, member for Cannington! This is a point of order. Yesterday I read out a statement that said that when there is a point of order, it is to be heard in silence. I call you to order for the third time. I give the call to the Minister for Energy.

*Debate Resumed*

**Dr M.D. NAHAN:** Thank you, Mr Speaker.

*Point of Order*

**Mr D.A. TEMPLEMAN:** The Leader of the Opposition asked you for a ruling and you have not yet given that.

**The SPEAKER:** The ruling is this: if the Leader of the Opposition speaks, he closes the debate. I am giving the call to the Minister for Energy and then I will come back to the Leader of the Opposition.

*Debate Resumed*

**Dr M.D. NAHAN:** Thank you very much. This is a very strange debate. The Leader of the Opposition brings this on as a matter of urgency and now he wants to close it down. The issue is whether there is an urgency to bring on a debate about whether or not we carried through with our commitments. As the Premier said quite clearly, and as the Treasurer followed up, what we committed to do was to first make a brief statement, which I made on Tuesday. The Premier said last week, and I reiterated, that we would make a statement today, which I did. It seemed quite detailed. As it is stated in the report—and as I repeat—the project is suspended while an independent engineering and financial review is conducted to evaluate and report on the project viability and financial engineering point of view. That is what we intend to do. As the Premier has reiterated over and over again, we will then make a full, frank and detailed report to Parliament when we make a decision.

**Mr P. Papalia:** You said there'd be several inquiries.

**Dr M.D. NAHAN:** There will be. We will do it in detail. We will look at every aspect of the report and take that to cabinet to make a decision. What the opposition is really arguing about —

**Ms R. Saffioti** interjected.

**The SPEAKER:** Member for West Swan, we do not need a running commentary from you while the minister is speaking.

**Dr M.D. NAHAN:** The opposition is asking for a full detailed report before we have made a decision. Decisions have been made at certain points, but the final decision —

**Mr P. Papalia** interjected.

**The SPEAKER:** Member for Warnbro, I call you to order for the second time.

**Dr M.D. NAHAN:** Again, the process we have undertaken is to make a brief but very detailed statement today about our understanding of the history of the project and the decision facing the government. Yes, it is an ugly position. The cost of the project relative to what was expected has increased by \$167 million to completion. That is a large increase. It was supposed to cost in the vicinity of \$150 million.

**Mr P. Papalia:** It wasn't going to cost anything.

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**Dr M.D. NAHAN:** Actually, if the member read—and kept his mouth shut—he would see that there was a financial instrument of \$150 million to refurbish and refresh the plant. It costs money to do that. It costs a great deal more, as I indicated. Kempe, the firm that did it, unfortunately made a real serious error. The company is not from WA. It signed a fixed price contract in the south west to refresh the plant. It thought it was going to cost \$110 million, but it cost \$160 million. The firm is struggling to stay financially alive after its experience in Western Australia. That is a real shame—a three-generation firm driven to the wall and to the edge of bankruptcy. It lost a lot of money. Engineering work costs money. The initial deal was a very good one for us—there is no doubt about it. We were facing the prospect of spending \$90 million to tear down the old plant. Kempe decided to refresh it with a fixed price contract. Verve alone was expecting to get a \$240 million profit—that is a good deal. Of course, the member for Collie–Preston said that the Labor Party, in government, would not have made that decision. Rather, Verve would have approached it and said it had an old clapped-out plant that it would refresh, thereby turning a negative \$19 million into a \$240 million gain over the life of the project—and Labor would have refused it. That is what the member is saying. Verve is an independent group and knows more about this plant than anybody; indeed, it built, owned and operated it for 40 years. Every generation engineer in that plant of a certain age has crawled all over it—they know it. They brought in extensive energy expertise to give an assessment of it. I put this into context—this was decided soon after the Varanus Island explosion. We were very worried about diversity of supply of fuel. I might add also that there were some uncertainties in the coalfields. Many of the coal companies were having difficult times and needed to increase their sale of coal. There were bouncing benefits to Verve. Indeed, the Labor Party in government gave it the tick-off to enter discussions with Vinalco. That was public and open. Now there is no doubt that the costs have increased quite significantly. I disclosed it in detail.

**Mr W.J. Johnston:** No, you haven't.

**Dr M.D. NAHAN:** Members opposite have a hard time reading and a hard time understanding things. Sometimes the member for Cannington's quotes are not the quotes in *Hansard* and other places. There are distortions coming out of them.

**Mr W.J. Johnston:** Show me one!

**Dr M.D. NAHAN:** The Premier just read one out. The member for Cannington said that the Premier said certain things about what I was going to do today and on Hutchison's yesterday. However, he left out the word "interim". Why would someone leave out the word "interim" when in fact that is what was said?

**Mr W.J. Johnston** interjected.

**The SPEAKER:** Member for Cannington!

**Dr M.D. NAHAN:** I honestly do not believe a word the member for Cannington says. To everyone here, when the member for Cannington says something or asks a question, do not believe him. Numbers, statements, facts —

**The SPEAKER:** Minister, we have to debate the urgency of this. Please direct your comments to the urgency.

**Dr M.D. NAHAN:** This debate is about the opposition essentially saying that we have not stuck to our word about providing information to Parliament today. We have done exactly what we said we were going to do and there will be —

*Point of Order*

**Mr W.J. Johnston:** I wonder whether the minister needs a copy of the resolution because he is not discussing any of the issues raised in the resolution. The resolution does not say —

**Mr P.T. Miles** interjected.

**The SPEAKER:** Member for Wanneroo, I call you to order for the second time!

**Mr W.J. JOHNSTON:** Although many things may have been said in debate, the motion does not mention anything about what the Premier said either in this chamber or in the media. It refers to the "scandal and failure to provide a full and comprehensive report". That is the issue the minister needs to address, not some other issue.

**The SPEAKER:** Right, thank you. Minister, just talk to the motion, please.

*Debate Resumed*

**Dr M.D. NAHAN:** The Leader of the Opposition made it quite clear in his arguments for the urgency of this motion that we had committed to provide a full detailed report today.

**Mr W.J. Johnston** interjected.

**The SPEAKER:** Just carry on, please, minister.

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

**Dr M.D. NAHAN:** I am responding to that. That was the argument and the basis for the Leader of the Opposition's motion, and I am addressing that clearly. We have done what we said we were going to do, and we have not finished. Last week we made it quite clear that, firstly, we have taken responsibility for this project. The government made the decision to go ahead with it, there is no doubt about that—that is what we do—and that we would take responsibility for the cost blowouts. We also told Parliament that the government made a decision on Monday this week to put a halt to the continuation of the project—the refurbishment of generators 1 and 2—and to bring in external advice. The reason we put a halt to the project is simple. Even though the advice was that the project would be profitable over its 15-year life—\$15 million is not a large amount—we were not confident of the risk in terms of both engineering and finance that the government would be exposed to in continuing with it. That is what we said and that is what we are going to do. On Tuesday, I gave a brief statement and today I gave a more detailed one. As the Premier said in response, I am not in a position to give a full disclosure of the decision because the decision is not final. We have not gone out and got that additional support and therefore we will not. Will there be a full disclosure when adequate information is available to us? Yes, there will be. That is what we committed to. Really what the opposition is arguing for is that we should give a full and detailed disclosure of every aspect of that before we make the final decision.

**Mr W.J. Johnston:** Yes, that's right. That's exactly what we're saying: make it all available.

**The SPEAKER:** Member for Cannington!

**Dr M.D. NAHAN:** "Make it all available"! Make our decision available before we make it?

Several members interjected.

**The SPEAKER:** I am sorry; sit down.

[Interruption from the gallery.]

**The SPEAKER:** Excuse me. If you do not keep quiet, I am going to clear the gallery.

[Interruption from the gallery.]

**The SPEAKER:** Right, members. I am going to suspend until the ringing of the bells.

*Sitting suspended from 2.33 to 2.35 pm*

**Mr P.B. Watson:** We missed you, Mr Speaker!

**The SPEAKER:** Member for Mandurah and member for Albany, I am really touched that you both missed me! Before we resume the debate, I ask the minister to direct his comments just towards why this is not an urgent matter to be dealt with now.

**Dr M.D. NAHAN:** Before we were interrupted, I was making the point that we had done what we committed to do—and we will do more. We have been very open today, as the Premier said on other issues of this nature, whether they be the Perth Arena or the Office of Shared Services. I say to the Treasurer that I am aware of that office, as one of my responsibilities is shutting down that entity. Hopefully, it will be out, finished and kaput by the end of the year. It has been a costly venture, and it took the Auditor General to drag the facts out on it.

We will not wait for the Auditor General to make a decision on this matter. We will, as we have committed, provide information, as I did today, but not a full and frank disclosure until we get the final estimate on the project. One of the biggest problems with this project has been the struggle to come to grips with its real cost; there is no doubt about that. As I think the Premier indicated quite clearly, this project has been a shocker in trying to find out its exact cost. We have to go back to Verve each time, and each time we have gone back there, it has been higher. Also, unfortunately, the joint venture partner, Kempe, is struggling financially because of its involvement in this project. We therefore made a decision in cabinet this week that we will put a halt to the project, hire independent engineering and financial consultants to do a report and have the report come back to me and to cabinet on what the actual situation is and what we should do next. Hopefully, Verve's analysis is right. If it is, it will be a profitable—though minor or minimal—project going forward. That is, Verve's analysis tells us that if we refurbish generators 1 and 2 to completion, it will provide a profit of about \$15 million over the life of the project. That is a very small profit, but that is what Verve tells us. Are we confident with that? No, we are not. We therefore committed today to undertake a full independent inquiry. That is what we are going to do. The opposition is arguing that we have to urgently have an independent body.

**Mr P. Papalia:** Who is going to do the inquiry?

**Dr M.D. NAHAN:** It will be an independent body—not you, member for Warnbro, I assure you of that!

**The SPEAKER:** Member for Warnbro!



Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

Several members interjected.

**The SPEAKER:** Members!

**Dr M.D. NAHAN:** However, it was not meant to be. As I said, we will commission an independent group to make an assessment and to report to me and to cabinet to make the decision. Did we at any time say that we would not submit a full report to cabinet?

Several members interjected.

**The SPEAKER:** Member for Mandurah, I call you to order for the second time. Minister, can you just keep to debating the urgency of this motion. This is it now. I have asked you. Thank you. Continue.

**Dr M.D. NAHAN:** If we have this debate about the urgency, we will have to come back and have another one because we have not made a decision. We made an interim decision. We do not have a full assessment in front of us, independent from Verve Energy; we have not done that yet. We are committed to completing a report, making a decision, disclosing it and tabling it in Parliament and having a debate at that time. Are we trying to run away from the cost? No, not at all. We have stated to the best of our knowledge what we know of the facts today. As the minister, I take responsibility for that decision. We must make some related decisions to do with the plant. If we do not decide to refurbish 1 and 2, we might tear it down, we might sell it to the private sector or we might go into a joint venture, which will materially impact on the cost to the state. We might go into a joint venture with a private generator and have that pay off part of the debt. Those are material questions on what the total impact on the state will be. We have not made those decisions yet and therefore the urgency is not there. The simple response is that we have provided as much information as members opposite have in front of them. We will do an inquiry and then we will make some decisions, and they will then be disclosed fully and frankly.

**Ms R. Saffioti:** When is that?

**Dr M.D. NAHAN:** When they are finished, which is not that long off. We will disclose fully; therefore, the essence of this urgency motion is empty. Most of the journalists have gone from the gallery, which is what this has all been about. We have nothing to hide. We have done what we have done. I look forward to the member for Cannington's response. I expect that if he really wanted to critique the report, he would have done it by now, but he has not.

**Mr P.B. Watson:** Rotation, rotation.

**Dr M.D. NAHAN:** The member for Albany is arguing for a rotation.

**The SPEAKER:** Member for Albany!

**MR J.H.D. DAY (Kalamunda — Leader of the House)** [2.42 pm]: I will briefly summarise why the government will not agree to the suspension of standing orders, and reiterate some of the arguments. The motion moved by the Leader of the Opposition contemplates the house debating the issue, which has now been canvassed for probably three hours or so in one form or another.

**Mr P. Papalia** interjected.

**The SPEAKER:** Sit down please, minister. Member for Warnbro!

**Mr J.H.D. DAY:** It contemplates a debate about, as the opposition says, the need for a full and comprehensive report to be provided to Parliament. We have heard very clearly from the minister, the Premier and the Treasurer that there is no suggestion there will not be a full and comprehensive report in addition to what has already been stated today. I have followed this debate and I listened to the ministerial statement from the Minister for Energy that went on for about 17 minutes. It is very comprehensive; there was a lot of detail in it. The point has been made that the decision was made in cabinet only on Monday. I was there. The issues were fully discussed and the decision was made about the action to be taken on the most recent aspect of this project. Today the Minister for Energy has presented a very comprehensive statement. There is no suggestion that it is a final report. As I said by interjection earlier today, it is a stage in the process and the minister will provide further information when it is appropriate once further investigation has been undertaken into the engineering aspects and the requirements to potentially get the plant properly operating, if that is ever possible. We should acknowledge the work put in by the minister this week. The opposition has the opportunity to provide a 15-minute response. It is correct that that can be delayed until later in the day if —

**Mr W.J. Johnston:** As we agreed this morning?

**Mr J.H.D. DAY:** Yes, it can be done later in the day if the opposition chooses to, but it must take responsibility for the fact that it chose not to do it immediately after the minister's statement, given it had two hours' notice of the statement being given and was provided with a copy of it. I ensured that a minimum two hours was provided

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

for that to occur. The opposition has a right to respond later in the day. It has effectively already done so. Extensive debate on the issues has been contemplated in the motion to suspend standing orders and the government, for those reasons, does not agree to the motion.

**MR M. McGOWAN (Rockingham — Leader of the Opposition)** [2.45 pm] — in reply: In winding up this debate about the urgency of the matter, we merely asked for a proper debate into these matters and required an explanation of all the material upon which the government made its decisions in order to undertake this investment. Today, we received from the government a flimsy eight-page document that does not explain all the aspects around this matter. Yesterday on radio the Premier said that the government was not being secretive but it wanted to be accurate and that the minister would provide, hopefully tomorrow if he was ready to do so, a report on exactly what had happened and exactly how much money had been spent on this failed project.

This is not an explanation of exactly what has happened. This is a small synopsis of facts that the government wanted to present; not all of the circumstances surrounding the matter. The Treasurer made matters worse before. Clearly he does not understand what is going on here. The Minister for Energy said in front of the cameras about an hour or so ago that the losses amount to \$280 million. Then the Treasurer said in this place that the losses are \$167 million. The Treasurer did not understand that the \$167 million—as stated in the Minister for Energy’s ministerial statement today—is the amount of money needed on top of the \$280 million to make good. An amount of \$167 million is needed to make the power station work. The Treasurer misunderstood; he thought that was the loss, and he is the Treasurer of Western Australia. He does not understand what is going on here. The Minister for Energy and the Treasurer then said that it was a good decision. However, the minister’s statement later reads —

Verve Energy failed to undertake the necessary technical due diligence to ensure there were no problems with existing plant. This failure has led to significant cost increases that are ultimately borne by the taxpayers of Western Australia. This is an unacceptable outcome.

The Treasurer said that taxpayers have lost nothing, but the statement says it was a bad decision and has caused losses to taxpayers. He does not understand what is in this brief statement that he had more than two hours to read. The Treasurer has had a shocker of a day.

Lastly, this is urgent and should be brought to the public’s attention. The last paragraph of this ministerial statement that the Minister for Energy read out today said —

This highlights the need for the private sector to take a greater role in the construction of future generation requirements in the state ...

This was our policy under disaggregation; this government is rolling that back. Next week, with the re-emerging of the boards of Synergy and Verve, this government will take action that is contrary to the recommendations of its report. This government has no idea what it is doing. It does not know the facts of the matter and its policy directions are completely wrong.

**Dr G.G. JACOBS:** I would just like to make some comments that I —

An opposition member: You can’t.

**Dr G.G. JACOBS:** I thought I had the opportunity when the Leader of the Opposition seemed to close the debate.

**The SPEAKER:** The question is that the motion be agreed to.

Several members interjected.

**The SPEAKER:** Member for Eyre, the debate is closed.

Several members interjected.

**The SPEAKER:** Thank you very much.

Several members interjected.

**The SPEAKER:** Member for Mandurah, I call you to order for the third time. As this is a motion without notice to suspend standing orders, it will need an absolute majority in order to succeed. If I hear a dissentient voice, I will be required to divide the Assembly.

*Division*

Question put and a division taken with the following result —

**Extract from *Hansard***  
[ASSEMBLY — Thursday, 27 June 2013]  
p27b-44a

Dr Mike Nahan; Acting Speaker; Mr Mark McGowan; Mr Colin Barnett; Mr Bill Johnston; Speaker; Mr Troy Buswell; Mr John Day

---

Ayes (18)

Ms L.L. Baker  
Dr A.D. Buti  
Mr R.H. Cook  
Ms J. Farrer  
Ms J.M. Freeman

Mr W.J. Johnston  
Mr D.J. Kelly  
Mr F.M. Logan  
Mr M. McGowan  
Ms S.F. McGurk

Mr M.P. Murray  
Mr P. Papalia  
Ms R. Saffioti  
Mr C.J. Tallentire  
Mr P.C. Tinley

Mr P.B. Watson  
Mr B.S. Wyatt  
Mr D.A. Templeman (*Teller*)

Noes (34)

Mr P. Abetz  
Mr F.A. Alban  
Mr C.J. Barnett  
Mr I.C. Blayney  
Mr I.M. Britza  
Mr T.R. Buswell  
Mr G.M. Castrilli  
Mr V.A. Catania  
Mr M.J. Cowper

Ms M.J. Davies  
Mr J.H.D. Day  
Ms W.M. Duncan  
Ms E. Evangel  
Mr J.M. Francis  
Mrs G.J. Godfrey  
Mr B.J. Grylls  
Dr K.D. Hames  
Mrs L.M. Harvey

Mr C.D. Hatton  
Dr G.G. Jacobs  
Mr S.K. L'Estrange  
Mr R.S. Love  
Mr W.R. Marmion  
Mr J.E. McGrath  
Mr P.T. Miles  
Ms A.R. Mitchell  
Mr N.W. Morton

Dr M.D. Nahan  
Mr D.C. Nalder  
Mr J. Norberger  
Mr D.T. Redman  
Mr A.J. Simpson  
Mr M.H. Taylor  
Mr A. Krsticevic (*Teller*)

---

Pairs

Ms M.M. Quirk  
Mr J.R. Quigley  
Mrs M.H. Roberts

Mr A.P. Jacob  
Mr T.K. Waldron  
Mr R.F. Johnson

Question thus negatived.