

Moe and District Residents Association Inc.

No. A0052091G
ABN 67 968 298 734

12th September, 2011

Committee Secretary
Select Committee on the Scrutiny of New Taxes
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Madam/Sir,

Please accept this as a submission to the Senate Inquiry into Carbon Tax Pricing Mechanisms.

Moe and District Residents Association Inc. (MADRA Inc.) is a voluntary, community based organization of residents in Moe and the surrounding district. MADRA was formed in 2008 by local residents to improve the level of representation and advocacy on issues of importance to our community. One of our purposes is: *"to lobby all levels of government for the balanced economic development of Moe district to create sustainable industry and technology based employment and education"*.

For MADRA and our local community, the carbon tax is of more than theoretical or general interest. The LaTrobe Valley region has been identified as being disproportionately affected by the carbon tax. Professor Ross Garnaut is reported as saying we are *'likely to be the hardest-hit region in the country'* (Age 6/6).

Minister Ferguson has made no secret of his negotiations with International Power/Hazelwood to secure its closure. Recent local media reports have also identified the closure of TruEnergy Yallourn W and EnergyBrix/Morwell Briquette and Power as being under discussion. On the long held basis that each power industry job has a multiplier effect in the regional economy of 2.6 other jobs, we estimate that closure of these power stations will cause a minimum 4,000 total job loss within our region.

We are not aware of any economic modeling commissioned by Professor Garnaut to show the expected job loss and economic impact on the LaTrobe Valley, a major omission and failing of his carbon tax review. Nor are we aware of any other detailed modeling undertaken by the current or previous Victorian governments, or the Federal government showing the prospects for our region under an ETS or carbon tax regime.

We understand that the Federal government is now commissioning a socio-economic impact study for the LaTrobe Valley, after a request by MADRA and other local community members was made to Latrobe City Council and from there, to the Federal government. While this study is welcome and much needed, it is most concerning that the draft carbon tax legislation has been prepared without any underpinning analysis or consideration of economic and related social impacts to our region. Nor has there been any consideration given to specific assistance measures to offset the anticipated

significant economic damage and job loss from brown coal fired power station closure. In contrast, the Federal government has channeled its efforts into assuaging mining and other interests around Australia, even though modeling of a carbon tax on those sectors has revealed little significant negative impact. It is deeply concerning that the draft carbon tax legislation will be presented to the Federal Parliament, uninformed about its consequences to our region and lacking any related assistance measures as a result of the Federal government's neglect on this matter. This is not the first time our region has been on the receiving end of major reformist policy without consideration or real concern for the specific consequences to our region, its communities or for Victoria's industrial base.

The LaTrobe Valley experienced severe localized impacts arising from workforce reductions and the later privatisation of the State Electricity Commission Victoria (SECV) during the 1990s. Attached is a 2001 report by Professor Bob Birrell entitled 'The LaTrobe Valley, Victim of Industrial Restructuring' which provides a base line of information about regional economic impacts. We urge Senators to read the report as a companion piece to this submission.

Unfortunately, since Professor Birrell's report was prepared local, State and Federal governments have continued in their failure to provide the structural readjustment assistance necessary to deliver new industries and create substantial replacement jobs in this region.

Our collective lived experience is that of our regional economy, together with the aspirations of many individuals and families, being crushed by bad government policies and then abandoned to deal with the lasting damage. This abandonment hasn't just taken the form of governments failing to devise and deliver assistance programs. We concur with Professor Birrell's broader finding that: *'The employment and social effects of ESI restructuring have had a more severe impact than any of the official proponents of the reform process ever acknowledged'* (p 5)

Before, during and after electricity industry restructuring, Governments and their agents sought to downplay the damage done by their policies whilst promoting their generosity. For example, the Productivity Commission depicted Gippsland as being *'successfully restructured'* in its draft 2004 review of national competition policy. In their final report our region was described as being *'the recipient of considerable adjustment assistance from the Australian and Victorian governments'* resulting in strong economic recovery and employment growth (2005)¹.

Premier John Brumby heralded the Latrobe Valley Ministerial Taskforce as proof of his government's social welfare credentials supporting a *'stronger, fairer society...encapsulat(ing) our Government's approach to the community and the economy'* (Age 6/08).

By way of reality check, the decline in unemployment from 8.2% to 7%, presented in 2005 as evidence of the efficacy of government regional assistance, used aggregated data for the wider Gippsland region. It is true that economic indicators for Traralgon had improved at that point with unemployment dropping and employment increasing.

¹ Productivity Commission - *Review of National Competition Reforms*, 2005

However, Traralgon was shielded in large part from the full negative impacts of privatisation, unlike Moe, Morwell and Churchill who shouldered the full brunt. We checked the unemployment rates for Moe, Morwell and Churchill using the 2006 census data and found local unemployment rates still ranging from 10% to 12%, or three times higher than the national average. Premier Brumby's 2008 spin that the Ministerial Taskforce delivered '*prosperity and proud social achievement*' is misrepresentative and offensive to the ongoing depressed reality experienced by Moe, Morwell and Churchill townsfolk.

Contrary to the Productivity Commission's assertions that '*the Latrobe Valley Ministerial Taskforce...tackled the impact of changes in the electricity industry on a regional community*' (148:2005), our experience is that the Taskforce was the means by which State and Federal governments **avoided** taking the necessary action to ameliorate the severe economic damage they had caused. As Professor Birrell's notes:

...the Taskforce did not accept the responsibility to compensate the Latrobe Valley community as implied by the 'public interest' provisions in National Competition policy legislation cited above. Nor did it acknowledge that an appropriate source of such compensation should be the federal funds it had received through National Competition Policy legislation. The Taskforce also did not address the issue of possible further loss of employment through the drive for more productivity in the ESI. It was highly supportive of any community initiatives to encourage new investment. But there was no acknowledgment that in view of the Government's complicity in the drive for further structural change that the State Government has a responsibility to compensate the community affected (p 27).

To current, State and Federal governments have continued to distance themselves from providing adjustment assistance in response to the impacts of electricity industry restructuring. Withholding the significant funds necessary to underwrite effective industry development programs, governments have preferred to transfer their responsibilities onto 'any local community initiatives'. The Ministerial Taskforce exemplified this approach. Its distribution of insufficient amounts of funding, relative to the actual need, was on the basis of mostly ad hoc suggestions it solicited from the local level. These were packaged together with some pre-existing commitments - renewing some public infrastructure (police stations, court house, public housing) and demolishing a redundant industrial plant. To our knowledge there was little, if any, industry development planning undertaken beforehand to inform Taskforce activities and little ongoing monitoring and assessment to ascertain if there were any lasting, positive outcomes.

Not surprisingly, since 2001 there has been no substantial private or public investment to create new industries in central Gippsland. Where job growth has occurred it has been fuelled largely by speculative property development. The effect of people moving into the region for its cheap housing and low property prices has seen flow-on job creation in the services sector. Most of this economic activity has been in and around Traralgon.

Higher level planning and coordination were once a hallmark of government initiated and funded regional industry development, in recognition of the LaTrobe Valley's strategic importance to Victoria's overall economic well being. One of the SECV's key activities was long term planning of its large scale capital works programme and related funding

arrangements, workforce planning, and skills development. All of this stopped with privatisation. Throughout the years of the Bracks-Brumby governments, the LaTrobe Valley has been routinely absorbed into the planning activities undertaken by the State government and Regional Development Australia for the wider Gippsland region², its special needs and attributes diluted and mostly ignored.

A quick appraisal of the Regional Development Australia (RDA) Gippsland committee provides an interesting insight into governments shifting their support away from the heavy engineering and electricity supply industrial base of the LaTrobe Valley. Of the ten members, including a vacancy, three are from East Gippsland representing respectively agribusiness, East Gippsland TAFE, and East Gippsland Shire, three from the LaTrobe Valley representing the municipal council, an engineering contractor firm and RDA (ex-Loy Yang Power), one from West Gippsland representing forest plantation interests, one from an agricultural advisory body, and one from South Gippsland Shire.

Large scale, new private sector investment prophesied by governments during the 1990s, and ever since, has failed to materialise in the LaTrobe Valley/central Gippsland region meaning no new jobs in new industries, or even new jobs in older industries, particularly the Victorian electricity supply industry. It is this very lack of investment in more efficient and cleaner electricity generation that has necessitated the Federal government stepping in to 'manage' Victoria's power generation industry, negotiating closure dates and terms with the private owners and stumping up billions of federal carbon tax dollars and carbon credits to make it happen.

Meanwhile, many of the metals, electrical and construction tradeworkers displaced by SEC job loss have left their families in the Valley while they work elsewhere in other industries: the west Australian and Queensland mining industries, offshore, the Mortlake gas plant construction site, Wonthaggi desalination site, and Melbourne. While 'fly in, fly out' employment is an available work option, it creates a whole range of problems for families and deprives our regional society of the ongoing presence and positive input of many of our menfolk. Furthermore, their absence from the Valley evidences the fact that skilled workers have moved out of the electricity industry into other high paid sectors.

Metals and electrical apprenticeship places in the LaTrobe Valley have declined significantly since the dismantling of SECV apprenticeship training and the Victorian government's continued non-engagement as an employer in apprentice employment. As a consequence, many of our young people are forced out of our region in search of secure employment.

Our observations and anecdotal evidence of disregard for the skills of displaced SECV workers, and that the Victorian electricity supply industry has significantly reduced its participation in entry level skills training, is supported by recent research of the Electrocomms and Energy Utilities Industry Skills Council (EE Oz). The EE Oz '2011 *Environmental Scan*' reports major skills shortages for the generation sector nationally across all trades, particularly metals and electrical, riggers/scaffolders and welders, five

² Six municipal council areas make up the wider Gippsland region: Bass Coast Shire, Baw Baw Shire, Latrobe City Council, South Gippsland Shire, Wellington Shire, and East Gippsland Shire. This encompasses the area east and south of Pakenham, on Melbourne's fringes, to the NSW border.

technical officer streams, and three engineering streams. The distribution and transmission sector is reported as having skills shortages in 5 trade areas, 14 technical officer streams, and two engineering streams.³

Unfortunately, the *'2011 Environmental Scan'* Report does not provide a detailed break down of this particular information on a state and territory basis. However, it describes skill shortages as *'abound(ing) in the majority of occupational areas and levels across the sector and the industry's workforce is ageing. In 2010, DEEWR estimated the median age of workers in the Industry to be 46 years (DEEWR, 2010).'*⁴

Un-replenished and under-utilised locally over time, the high value and productive industrial skills base of the LaTrobe Valley region, assembled to service Victoria's electricity industry, has been steadily eroding away. Ironically, these are the same base skill sets needed to decarbonise Australia's economy.

Compared to other major States, Victoria's electricity supply industry has pursued 'downsizing', privatisation and sweating of its capital asset base with something approaching evangelical fervor. This has positioned Victoria very badly to meet the demands for industrial reform in the shape of the large capital works programs needed to decrease Victoria's carbon emissions from its power industry. For example, EE Oz identifies more than 12,000 skilled workers needed to roll out smart meters into Victorian homes⁵, a similar figure to that identified by the UK Energy and Utilities Skills Council (EU SC) to support smart meter roll out in the UK.⁶

During the 1990s, the United Kingdom privatised, 'downsized' and relied on market based ideologies to deliver investment, jobs creation, apprenticeship opportunities and skills enhancement in its electricity supply industry. The UK has a broadly similar electricity pricing review and regulatory system to Australia's. The UK has an emissions trading scheme, is a Kyoto signatory, and European Union member that requires it, in turn, to meet its EU regulatory responsibilities on carbon emission reductions.

A 2005 House of Lords Committee of Inquiry into energy efficiency and renewables was presented with evidence of a significant skills shortage plus inadequate skills levels in the construction industry impeding the ability of the UK to improve its housing stock to meet more robust thermal efficiency standards. Some of the evidence presented the UK construction industry as needing an additional 300,000 skilled workers to meet demand, requiring recruitment and training of some 88,000 new entrants each year for five years. The range of evidence it heard led the Committee to conclude that: *'Skills shortages pose a serious threat to the Government's energy efficiency targets, particularly given the major house-building programme now underway. It is essential that the Government address these issue in a more energetic and co-ordinated fashion than they have done hitherto.'*⁷ In its follow up Government Responses report, the Committee concluded that

³ EE Oz Training Standards *'2011 Environmental Scan'* pp 30, 36

⁴ Ibid p 29

⁵ Ibid p16

⁶ <http://www.power.nsacademy.co.uk/about/news/new-smart-metering-apprenticeship>

⁷ House of Lords Science and Technology Committee, 2nd Report of Session 2005-06 *'Energy Efficiency'* volume 1: Report p 58 paragraph 6.39.

*a 'robust evidence base is essential to ascertain the extent of potential skills shortages in the context of the Government energy efficiency targets.'*⁸

Part of the response saw the UK Energy and Utility Skills Council (EU SC) establish its Power Sector Skills Strategy group. The group adopted a 15 year forward planning perspective and invited the various electricity industry sectors including generators, distribution networks, and contractors to nominate workforce needs in response to their capital programme over that period. The programme was, in turn, influenced by carbon emission reduction imperatives. The EU SC has identified an additional 3,000 – 4,000 new skilled jobs needed for distribution networks, and that 9000 or 51 percent of the current distribution network workforce and associated supply chains need to upgrade their skills. This does not include UK transmission networks.⁹

A subsequent skills analysis was published by EU SC in 2010 providing a comprehensive description of workforce skills, current and future requirements for the gas, electricity, water and waste management sectors.¹⁰ It found that:

Until recently, the Pricing Control Review (PCR) process has taken little account of skills; the rationale being that this is a normal business activity and special provision is unnecessary. However, the skills legacy from the past is running out and investment in new skills is essential. During the last PCRs for the gas and power distribution networks, evidence of an aging workforce, skills shortages and increasing loss of staff in future years, led Ofgem (UK regulator) to allow around £300 million (AUD456million) for training new workers across Great Britain.¹¹

In its considerations of the carbon tax implementation in Victoria, we urge the Federal government to think very carefully about the skills base our State needs to continue operation of its electricity supply industry *and* the additional skills needed to reduce our carbon emissions. Before the Federal government sends out a strong message to power industry workers in and from the LaTrobe Valley that their skills are (still) not valued, needed or wanted - before it makes the mistake of reiterating the Kennett government's skills-squanderous message of the 1990s - it should pause to think about the skill shortages already constraining the electricity supply industry and the many additional skills and jobs needed to reduce Victoria's and Australia's carbon emissions.

In short, we believe the Federal government should be doing everything possible to encourage skilled workers to return on a permanent basis to the LaTrobe Valley in order that they can lend their 'shoulder to the wheel', helping Victoria to meet the challenges inherent to decarbonising our State's economy. To lure them back, the Federal government and its carbon tax must be seen to deliver full time, secure, well paid employment located in the LaTrobe Valley coupled with skills enhancement opportunities. In short, the Federal government should be gearing up the Valley, investing in industry planning and development, job creation and skills enhancement opportunities aimed at implementing the low carbon emission charter for Victoria's

⁸ House of Lords Science and Technology Committee 3rd Report of Session 2005-06 '*Renewable Energy: Practicalities, and Energy Efficiency: Government Responses Report*' p 35.

⁹ House of Commons Energy and Climate Change Committee 2nd Report of Session 2009-10 '*Future of Britain's Electricity Networks*' Vol.II, Ev. 31 Mr. Tim Balcon, CEO, Energy and Utility Skills Council

¹⁰ Energy and Utility Skills Council '*England Sector Skills Assessment 2010*'

¹¹ Ibid p 25

electricity supply industry rather than softening us up to accept another round of economic annihilation.

We reject the Federal government's plans under the carbon tax to close down brown coal fired power stations in the LaTrobe Valley without any firm commitments to redeploy affected workers into new, technology-based jobs created in this region.

We reject the ill informed and unplanned nature of the carbon tax with regard to its implications for the LaTrobe Valley. The Federal government is rushing the carbon tax draft legislation through the Parliament lacking the necessary research and knowledge about its impacts in this region and stemming from that, the wider implications for Victoria. We ask- what if such research revealed that the architecture and detail of the carbon tax legislation requires rethinking and modification? Is the Federal government open to passing amending legislation? What are the Federal government's contingency plans to deal with important gaps that occurred during the formulation of the carbon tax legislation?

The Federal government has already embarked upon negotiations to close brown coal fired power stations in the LaTrobe Valley using its carbon tax as the policy lever. In this important way, the carbon tax is not just a tax on greenhouse gas emitters but an industry plan being implemented by the Federal government to enact significant changes to Victoria's electricity supply industry. Yet, the Federal government has not quantified or otherwise sought to properly inform itself about the implications of this action for skills needs and provision in Victoria's and Australia's electricity supply industry, now and into the future.

There are no firm commitments from the Federal government to assist the region via industry planning, development and job creation or in any other practical way, apart from a marketing exercise to try and attract private investment in unspecified industries which may or may not result in job creation. Why should the LaTrobe Valley accept a deal that, on the basis of known details, will remove no less than 4000 jobs from our regional economy in exchange for a marketing campaign?

In a very recent article published in the *Latrobe Valley Express* (8/9), the chair of the RDA Gippsland Committee, Mr. Richard Elkington, went so far as to say that: *"the last thing we want is to be waiting for a structural adjustment package if you like that really is just more government money...we don't want to be a society dependant on government again, because that's almost recreating the past"* Mr. Elkington said.' (p 3)

This leads us to ask - is RDA Gippsland's dismissal of government money for structural readjustment assistance to our region an insight into the Federal government's thinking? How firm is the Federal government's commitment to limit nationally available structural adjustment assistance for disproportionately affected regions to \$200million over seven years, as nominated in the carbon tax legislation? This would, indeed, limit available assistance to that of some marketing activities for regions such as ours. If so, the proposal is completely unacceptable. Everyone in Australia genuinely concerned to reduce carbon emissions should treat this proposal with the disdain it deserves.

The Federal government has no readily discernible process or coordination point by which our community can directly access factual information about the Federal

government's implementation of the carbon tax, or influence government decision making. MADRA's representations to the Federal government that it establishes a regional transition advisory council, and a Ministerial Council on regional transition, both on a legislative basis, have been ignored so far. To date, we have experienced the Federal government's carbon tax consultations with our region to be ad hoc and un-coordinated.

Community demands for the Federal government to provide appropriate assistance measures for our region is not the 'step back into the past' alleged by RDA Gippsland - that territory has been well and truly appropriated by Victoria's private power generators demanding their financial risk be underwritten from the public purse. Our demands are that the Federal government embrace its responsibilities to our community, and Australian society, by acting on climate change in a way that recognises the inter-connection of our region, our people and their future with the delivery of that larger goal. We take this opportunity also to draw attention to the lack of vocal representation by our Federal and State parliamentary representatives other than their occasional concern raised about expected regional job loss, without reflecting on the larger matters highlighted in this submission.

In closing, the Federal government has decided that its carbon tax will be more than a revenue collection impost on polluters. The carbon tax is also an important industry plan for Australia with serious localised implications for the LaTrobe Valley region that extend into the future security of Victoria's economic and industrial base. We ask that the Federal government treat those implications with the consideration and action they deserve, rather than in an uninformed, ad hoc manner. The Federal government has committed to closing down highly polluting brown coal fired power stations without outlining alternative base load power generation sources. It has not given any commitments guaranteeing redeployment of our regional community and its skills to reduce carbon emissions from Victoria's broader electricity supply industry and the State economy. As the UK and other countries have learned, economies are decarbonised when governments commit to coordinated action that identifies and applies the right industrial skills in the right places at the right time.

If the Senate Committee wishes to discuss this submission, please contact MADRA Secretary, Cheryl Wragg.

Regards,

Peter Gibbons
Vice-President on behalf of the MADRA Committee of Management and members

Attach.