

Introduction

This submission is made on behalf of the **Grey Power Federation Incorporated.**

The Federation contact is the Federation President

Mr. Roy Reid
14 Sunbelt Crescent
Takaka 7110
Email r.mh.reid@xtra.co.nz
Phone 03 525 9242

The President and a delegation wish to address the committee and to speak to this submission.

The Grey Power Federation (Inc) is an apolitical advocacy organisation that aims to advance, promote and protect the welfare and well-being of older people in New Zealand. The Federation is made up of some 74 individual Associations with an overall membership of approximately 68,000.

.The Federations Submission is as follows.

1. Summary of the Grey Power New Zealand Federation's (GPF) Stance on the Mixed Ownership Model Bill:

- 1.1 GPF is totally opposed to the intent and purpose of this Bill, which will change the structure and ownership of Genesis Power Limited, Meridian Energy Limited, Mighty River Power Limited and Solid Energy New Zealand Limited. If this Bill becomes law then the scene is set to prepare other SOE's for similar privatisation in the future.

2. Investment of Funds from the Partial Sales of the Energy Companies:

- 2.1 The explanatory notes to this Bill state that it is intended that the funds raised from the partial sale of these assets will be invested in the "Future Investment Fund" and the capital will be used to build new schools, hospitals, roads and rail and other public assets and also to control public debt.
- 2.2 GPF is totally opposed to the funds raised from the sale of Energy Assets being used for any other purpose than to enhance the production and supply of Energy projects for the benefit of the population of New Zealand. GPF also do not support the selling of profit making assets for the purpose of controlling public debt.
- 2.3 GPF believes that funding from tax supported loans should be utilized to provide capital for schools, hospitals etc. This was how the SOE's, as above, were created in the first place. These assets are returning a dividend to the government and therefore to the people of New Zealand; however this Bill proposes to partially sell them to private enterprise so that the latter can reap these returns.

3. Sale of Shares to Foreign Investors:

- 3.1 There is also nothing in the Bill to prevent the selling or on selling of these shares to foreign investors. This means the profits from these companies will go off shore, whereas at present they are retained by the government for the benefit of all New Zealanders.

4. Investment in Large New Zealand Companies:

- 4.1 The Bill's explanatory note also states, "That the mixed ownership model will give New Zealanders the opportunity to invest in the market in large New Zealand companies. It

will strengthen the stock market by increasing the breadth and depth of investment opportunities... It will allow the companies to raise the capital they need without having to rely solely on the government for equity." Most of this comment is Treasury salespersons speak.

- 4.2 GPF does not believe it is the government's responsibility to provide opportunities for the citizens of this country to invest in fully or partially private owned companies, large or small. GPF believe this is a matter for private enterprise to build and create such companies. Nor does GPF believe the government should be strengthening the stock market, again this is a matter for private enterprise.

5. Greater Public Scrutiny:

- 5.1 The Bill states that partial privatisation "will improve public scrutiny of the companies, creating sharper incentives to run them efficiently." This is rather strange because clauses 2, 6 & 7 remove this provision. It eliminates real public scrutiny and leaves this responsibility entirely to the shareholders by removing the Official Information Act 1982 and the Ombudsmen Act 1975 protection. GPF is opposed to the changes proposed by these clauses.

6. Efficiency:

- 6.1 Electricity was first generated in New Zealand for public distribution by private enterprise in Reefton on the West Coast of the South Island in the early 20th century. This was followed by other small privately owned or council owned generators. However state provided electricity was brought to the New Zealand people by Ministry of Works through construction of large generators and distributed by Power Boards along with Municipal Electricity Departments.
- 6.2 It was very clearly the public sector, that is government and local government that built and developed the electricity supply network that we all enjoy in this country today and all at a price that was the envy of the world until successive Governments decided to interfere in that system from the late 1980's onwards in the misguided belief that private enterprise can do better and competition will provide cheaper electricity.
- 6.3 The GPF can tell you quite clearly that Treasury is deluding itself and you when it continues to preach this message; the price of electricity to the domestic customer in this country has doubled since 1990. A letter to the editor of the NZ Herald (April 7/04/2012) states, " That the price of electricity in British Columbia is 9 cents a kWh compared to 28 to 30 cents a kWh here in New Zealand." In British Columbia the system is owned and operated by a public utility, British Columbia Hydro.
- 6.4 At one time New Zealand had the State Hydro, which later became the New Zealand Electricity Department and even later again Electricorp. This is when the rot started; the system was finally split asunder and raped and pillaged in the name of efficiency. The question is, "What is efficient about the present system and why hasn't the price of electricity gone down as promised and will these proposed changes do what all the other changes have failed to do, either lower or keep the price of electricity down"?
- 6.5 It is GPF's contention that rather than the further splitting and destruction of retailers, generators and distributors, we should be gathering all the pieces and putting them back together again; this would rid us of numerous CEO's and their ludicrous salaries and unnecessary directors and their nice little earners. Contrary to Treasury's view of the world, the public sector can run reasonably priced and therefore efficient and well managed enterprises as has been proven in the past.
- 6.6 It is GPF's belief that the creation of the Mixed Ownership Model will inevitably lead to a further increase in the cost of electricity as these new entities strive to provide

better returns for their shareholders. We do not subscribe to Treasury's contention that efficiencies will occur from this model and that the price of electricity will not be adversely affected. They will rise as has been the case in every other situation of government interference in the Energy market during the last 25 years.

7. Capping of Share Ownership:

- 7.1 GPF oppose this Bill, but if it is the intention of this government to force this Bill through then GPF do support the few intended safe guards, that is that the government will at all times hold 51% of each company and that no other individual or organisation may hold more than 10%.

8. Summary of adverse affects:

- 8.1 We contend that the ultimate affect of partial privatisation will result rather than increased efficiencies as Treasury believe, but in increased prices as these companies try to increase returns and not efficiencies.
- 8.2 Each and every time the price of electricity goes up older people try to keep their costs down by increasing their efficiency, this they do by reducing their use of electricity, this can and does have serious detrimental affects on their health and well being.
- 8.3 We have evidence of people turning off their heating and going to bed to keep warm, you might say 'well they are warm in bed so what is the problem'. The problem is that the atmosphere in that room remains cold and damp this then has serious consequences to their health.
- 8.4 It is of the utmost importance that the population of this country has warm, dry and well ventilated homes. To achieve this electricity is their prime energy source and it needs to be at a price within the reach of all and elderly people on fixed incomes are extremely vulnerable.

This submission was prepared by members of the Grey Power Federation Energy Portfolio with Allen Davies Chairman.