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Between a rock and a hard place

Article by James Pearson CCI, West Australian column

CCI doesn't often express sympathy for politicians.

But I'm going to break the habit in response to a decision by the Premier last week.

The government went against the advice of its own officials and the findings of the independent regulator and decided to limit a recommended rise in the price of gas.

Despite the fact that there have been significant increases in the price of wholesale gas, and higher costs to deliver gas through the gas distribution system (pipes and pipelines), the government wouldn't let Alinta, which sells the gas to WA consumers, fully recover its increased costs.

It was a political decision by the government in the face of expert advice and independent analysis.

In CCI's view, it was the wrong decision.

We all know that a price increase has an impact on business and the wider community.

However, subsidising the price is not the way to cushion struggling households from the rising cost of living.

Instead, the government should consider direct support to consumers who are most vulnerable.

Our politicians know that it isn't sustainable to sell gas or power for a price that's not enough to cover the costs of supplying it.

But they also know that they will get hammered on talk-back radio and in the press for raising prices.

It's easy to sympathize with avoiding short term political pain.

But it's hard to forgive putting off important decisions that need to be taken.

I'd like to offer an alternative solution.

Why not take decisions on gas and electricity prices out of the hands of politicians entirely?

Why not put the decisions into the hands of the independent regulator, the Economic Regulatory Authority?

It has the know-how to do the job, and it is respected as being free from political interference.

It's not unlike the Reserve Bank, which although we mightn't like it, is fearless about changing interest rates to control inflation.

The government's role is to set energy policy, through a credible and ambitious State Energy Initiative.

We should couple that with independent and dispassionate analysis of WA's energy market and decisions on pricing by a body such as the ERA.

It would help attract more private sector investment and a more secure and reliable and competitively priced supply of energy.

And our politicians would have someone to share the blame when the talk-back radio switchboards light up.