

Australia: Thousands of households cut off electricity

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Government-owned electricity companies in the Australian state of New South Wales have been cutting off power to growing numbers of people unable to pay their bills, according to statistics published by the state's Energy and Water Ombudsman.

In her annual report, Ombudsman Clare Petre revealed that 31,000 households were disconnected in 2001, up from 24,000 in 1999 and 27,000 in 2000. Petre expressed concern that many of those cut off were low-income families with children. "Disconnection, particularly for long periods, can mean severe hardship as well as safety issues for those still affected," she stated.

The 30 percent increase in disconnections over just three years points to the rising levels of financial distress among working class families in Australia. It also highlights the social cost of the deregulation and partial privatisation of the electricity industry since the early 1990s.

In some cases, for purely cost-cutting reasons, utility companies simply estimated accounts instead of reading the meters and then issued "catch-up" bills of thousands of dollars. One woman whose electricity was cutoff, for example, was not warned that she had a \$2,283 annual bill.

Overall, the hardest hit areas were the working class regions of western Sydney and Wollongong on the NSW south coast. Integral Energy, the company that covers these regions, had the most complaints registered against its actions. A company spokesman stated that Integral had "taken a stand" on customer debt.

The representative defended the disconnections, claiming that Integral had simply cut off recalcitrant debtors. "We have been acting on customers who refuse to pay, rather than can't pay. Disconnection is a last resort after repeat reminders."

But the case studies published by Petre tell a different story. One concerned Mr L, who was unemployed and

suffering a serious illness. Unable to pay his \$1,200 bill, he was forced to live for 12 months without electricity. Once his health improved, he asked the company to reconnect his power, offering to pay off his debt in installments. The company refused, demanding \$640 up front and \$40 per fortnight. Incapable of paying such a lump sum, Mr L contacted the Ombudsman's office, which asked a charity for \$360 in vouchers to help him meet the company's demand.

In another case, Ms G and her large family were disconnected without notice for \$400 in arrears. Ms G had expected the company to give her 24 hours notice of its final intention to cut off her power. When she contacted the company, it insisted that it had delivered a 24-hour card to her home. Ms G was forced to seek help from community organisations. Only after the Ombudsman intervened did the company restore Ms G's electricity, admitting that it had not attempted to make personal contact with her, as required by government regulations.

Mr S, a pensioner with six children, was told he owed the electricity company \$830 and would be disconnected immediately if he did not pay \$300. He offered to pay \$100 that day and a further \$200 the following week, but the company rejected his offer. It relented only when Mr S contacted the Ombudsman's office, which informed the company of his pensioner status. The company claimed that it had not known he was a pensioner, which entitled him to a rebate, reducing his debt to \$480. With assistance from charities, Mr C managed to pay the remaining amount.

As these accounts demonstrate, some of society's poorest and most vulnerable members are being routinely cut off electricity without proper notice, not because they refuse to pay their bills, but because they cannot do so. While Petre's case studies highlight instances where families were rescued, it is likely that many more people were not assisted.

Petre's only proposal was the voluntary introduction of pre-paid meters, which require consumers to pay for their electricity in advance. This system already exists in Britain, where, according to the *Sydney Morning Herald* there are just 400 disconnections per year.

In reality, in 1998 a million British householders were forced to "self disconnect" because they could not continue to pay the meters. In the first three months of 1999, 24,000 court warrants were obtained to install prepayment meters or cut off supplies, with companies forcing their way into more than 5,000 homes. According to official statistics, cold homes cause 30,000 deaths each winter in Britain.

Some media outlets reported the steep rise in disconnections in NSW, but none mentioned the fact that Bob Carr's state Labor government remains the principal owner of the former government-run electricity providers, which currently run as semi-independent companies. In December, Integral Energy announced a net profit of \$267 million in 2001-2002, beating its own forecast by 28 percent. Its annual report was tabled in NSW parliament, revealing a bumper dividend for its shareholder—the Carr government.

"Being profitable—through serving our customers well and managing our assets—is a vital element of what we contribute to the wider community," Integral Energy CEO Richard Powis said. "Our strong performance helped us deliver a healthy \$133 million return to our shareholder, up 92 percent from \$69.3 million last year."

Over the past decade, electricity and other utilities, including water, have been transformed from basic public services into private or government-owned corporations, with tens of thousands of jobs destroyed in the process. As a result, working class families no longer have any right or guarantee of supply, regardless of the extreme deprivations, health risks and other dangers that flow from disconnection.

When the Keating Labor government's Hilmer report recommended corporatisation and privatisation of power supplies in 1995, the official claim was that free market competition would provide lower prices and better services. Instead, prices for most domestic consumers have risen and there have been electricity blackouts at peak periods in several states where the privatised corporations have failed to invest in sufficient new capacity.

At the same time, these power shortages have sent prices soaring on the national "spot market" which now exists for electricity, boosting the profits of the power

generating companies. The National Electricity Code Administrator reported that in the three months to September 2002 the average price for electricity was between \$38 per megawatt hour (MWh) and \$54/MWh—some 40-100 percent higher than a year earlier. On the spot market, the price peaked at \$6,765/MWh on July 14, 2002.

In NSW, these price hikes have not yet been passed directly onto residential users, because domestic prices remain pegged by government regulation. Carr pushed for the full privatisation of the state's electricity system in 1997 but was forced to retreat by the outraged reaction of power workers and consumers. Instead, the state network was carved up into a series of profit-making corporations. As of January 1, 2002, these companies have been required to compete with each other and with interstate providers.

This has further increased the cost pressures on the electricity providers. They have already lost massive amounts by buying and selling on the national market in an effort to counteract price surges. "Since electricity was deregulated in 1999, state-owned utilities have lost hundreds of millions of dollars from disastrous trading strategies," the *Sydney Morning Herald* reported last October.

Over the same period, NSW residential electricity prices have risen by more than 5 percent, on top of the introduction of the Howard government's 10 percent Goods and Services Tax. But because they cannot pass on the full rises imposed by the national marketplace, the NSW companies have sought to deliver their required dividends to the state government by other means. This includes the disconnection of some of the state's poorest households.



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