

Australia: NSW Labor government unveils electricity sell-off

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The Labor government in New South Wales (NSW) announced sweeping plans last month for the partial privatisation of the state's electrical power generation and retail sectors. The proposal sets the stage for the restructuring of electricity and other utilities, not only in NSW, but in other states across Australia. The result will be the further undermining of conditions and job losses, as well as higher prices for ordinary consumers.

NSW Premier Morris Iemma unveiled the scheme on December 9. The state's electricity retail arms—Energy Australia, Integral Energy and Country Energy—will be sold-off to the private sector, while the state-owned electricity generators—Delta Energy, Macquarie Generation and Erarang Energy—will be leased to private operators. The state government expects a \$15 billion windfall from the plan.

Major corporations are already queuing up to cash in. Retail energy suppliers AGL Energy and Origin Energy, which own energy assets in other states, have been arguing for years that the NSW power facilities should be sold off. Other possible contenders include Babcock & Brown Power and Hong Kong-based TRUenergy.

Concerned about opposition from electricity workers and household consumers, the government has launched a \$380,000 radio, TV and newspaper advertising campaign to promote its plan. A recent survey by Essential Research, conducted for Unions NSW, found that 85 percent of the population opposed the privatisation of electricity supplies. Most people said they were concerned that jobs, especially in regional NSW, would disappear. Some 96 percent feared private operators would force up electricity prices.

Privatisations in other states have left working people worse off. The sell off of the power industry in South Australia has resulted in soaring household electricity prices—now the highest in Australia. In Victoria, electricity prices initially fell, but have since risen and will soon go higher. Victorian householders have been told their electricity bills will increase by a further 17 percent from January 1.

Cameron O'Reilly of the Energy Retailers Association of

Australia, said NSW prices were around the lowest in the country because the government was “using regulation to hold down prices”. An “electricity equalisation fund” currently limits the impact of higher prices by protecting electricity retailers from volatile wholesale prices.

To quell public fears, Iemma has promised to retain retail price regulation until 2013 or until there is “sufficient competition” in the retail energy market. This pledge gives the false impression that electricity prices will drop in a deregulated market, whereas the government actually expects prices to rise. Iemma has also pledged to fit the homes of low-income families with energy saving devices.

NSW Treasurer Michael Costa has promised that the proceeds of the sale will be invested in an “Intergenerational Fund”. He claimed the fund would be used to underwrite spending on health, education, metro rail, water, roads, energy efficiency and clean energy technology. The establishment of the fund, however, begs the question as to why successive state Labor governments have not provided adequate public funding for services and facilities in the past.

Facing competition from other states for investment, the NSW government has slashed public spending in order to pay for tax breaks and financial incentives for business. The aim of the latest electricity scheme is precisely the same—to boost profits for business at the expense of workers and ordinary consumers. The “Intergenerational Fund”, even assuming it was to be used for its stated purpose, would not reverse the years of neglect and decay under successive state governments—Labor and Liberal.

To buy-off electricity workers, the government is offering \$124 million in “incentive” payments to transfer to private operators. The 3,100 affected workers have been told they can keep their existing jobs for three years, after which they will be entitled to incentives, averaging around \$40,000, if they accept job offers from the new owners.

Workers not offered jobs by the private operators can join the electricity transmission and distribution agencies, which have a current workforce of 11,500 and are not being

privatised. These employees will receive no incentive payments or compensation and will most likely end up in lower-paid jobs. The result will be a cutthroat scramble for those jobs offered by the private operators.

The new private owners are likely to downsize the workforce, particularly in the retail sectors, where call-centre staff expect to have their jobs outsourced overseas. Even those who finally secure employment with private operators will not necessarily have the same wages and conditions.

The power unions immediately called stopwork meetings to discuss the government's plan. Far from defending jobs and conditions, however, the unions are primarily concerned to maintain their own position as the agency for restructuring in the industry. No major industrial action is being proposed against the government. Instead, the unions are seeking to limit any action to a "community campaign" and isolated protests.

United Services Union state secretary Ben Kruse indicated the union's preoccupation when he complained that the government had failed to consult before sending out its incentive offers. "These supposed packages have not been the subject of discussion with us," he told the media.

Kruse called for a special conference of the Labor Party in NSW to discuss the government's plans and was supported by Electrical Trades Union state secretary Bernie Riordan, who is also NSW Labor Party branch president. Likewise, Unions NSW secretary John Robertson has called for negotiations with the government, leading up to a special conference.

The union leaders are trying to invoke their much-trumpeted "victory" of 1997 when Iemma's predecessor, Bob Carr, was forced to abandon plans to fully privatise the NSW power industry at a state ALP conference. Carr's decision followed the defeat of the Keating Labor government in federal elections the previous year, when the Labor Party had fared particularly badly in NSW. Facing widespread opposition to the privatisation plan and a state election just over a year away, Carr pulled back.

Carr's retreat, however, was purely tactical. The NSW government proceeded with plans to carve up the power industry into competing, corporatised bodies, which, with the assistance of the trade unions, were restructured and downsized to boost their profits. NSW, like other states, became part of the national power market established under the Keating government, and the nominally state-owned entities were subjected to the same market forces. This process set the stage for the current privatisation plans, which the unions claim they will fight tooth and nail.

The NSW plan is in line with promises made by the newly installed federal Labor government to revamp federal-state relations to eliminate "inefficiencies" and red tape, cut costs

and improve infrastructure for business. Electricity is just one area where the major corporations want free rein for private operators to rake in profits, while at the same time providing them with low-cost supplies.

After a meeting of federal Labor's cabinet on December 17, Treasurer Wayne Swan told the *Australian*: "We [the cabinet] support the Premier of NSW in his efforts to increase investment and competition in the nation's electricity market." Federal Energy Minister Martin Ferguson, a leading figure in Labor's "Left" faction, declared that Iemma had the backing of all state energy ministers.

Australia's Labor governments have a track record of selling off public assets. Between 1983 and 1996, the Hawke and Keating governments privatised major public enterprises such as the Commonwealth Bank and Qantas, backed by votes at special party conferences. They could not have done so without the assistance of the unions, which either openly acceded to the sales or helped suppress rank-and-file opposition.

Rudd has pledged to implement a new wave of free market restructuring in partnership with the state Labor administrations. Corporate and financial institutions are eagerly awaiting the outcome of one of the first instalments—Iemma's renewed privatisation push. A win by Iemma and the Labor and union bureaucracy will be a signal that the door is wide open to global players looking for high-return investments in Australia's decaying infrastructure.



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