Sydney’s blackouts: another sign of decaying infrastructure

Chris Johnson
27 April 2009

In the space of less than two weeks, the central business district of Sydney—Australia’s largest city and financial centre—recently suffered three blackouts, causing significant disruption. The blackouts, which began with the failure of a 40-year-old cable, highlight the level of decay in the city’s infrastructure.

On March 30, at 4.40 p.m., one of the four 132,000-volt underground cables feeding the CBD failed, causing failures in the remaining three. The result was peak-hour chaos. For two hours, 70,000 homes and businesses, covering a quarter of the CBD, were without power. Major roads, including the Sydney Harbour Tunnel and the Eastern Distributor were closed, and 140 sets of traffic lights were out.

Office workers were stuck in lifts, requiring 34 lift rescues. An elderly woman died from injuries sustained when she fell in the dark, and it was entirely fortuitous that there were not many more injuries. In addition, Sydney’s emergency warning system failed—it was apparently not equipped to operate during a blackout!

Five days later, at 10.40 on a Saturday morning, there was another blackout, lasting more than an hour and affecting 50,000 homes and businesses. The Sydney Harbour Tunnel was closed again, and 50 sets of traffic lights were out. Following that breakdown, the authorities inadvertently admitted the extent of the problem when they asked CBD building owners to minimise power use and supply their own backup generators.

In the third blackout, on April 12, some 2,700 homes and businesses near the CBD were cut off because of a faulty 11,000-volt distribution cable. A major hospital, St. Vincent’s, was affected, which caused alarm because its backup generator had failed two weeks previously.

None of the power failures has been adequately explained, either by the New South Wales state Labor government or the state-owned electricity supplier and retailer, Energy Australia. The first cable collapse, which was initially attributed to compression by over-building at Circular Quay, was later blamed on damage by a back hoe, possibly during subcontracted work as long as 10 years ago.

No one has explained why the fault was not detected earlier, or why the remaining three cables also failed. Energy Australia merely said it was “continuing to investigate”. Repairs are expected to take up to 10 weeks, and during that time the power supply remains uncertain.

The second blackout was reportedly caused by a transformer shutting down when a fire sprinkler system was activated during fire protection maintenance. An Energy Australia spokesman claimed it was most likely “a mechanical issue” not “a malfunction”.

Likewise, state Premier Nathan Rees’s spokesman tried to deny that the blackouts revealed underlying decay. “This is not about infrastructure. It is about something completely different,” he stated, without giving any indication of what that might be.

This evasion soon became untenable in the face of the public outcry. After the initial chaos, the media’s principal concern was Sydney’s diminishing ability to attract international investment. Big business groups complained bitterly, with the Sydney Chamber of Commerce declaring the blackouts had damaged “Sydney’s reputation as a global city” because “security of energy supply is critical to business”.

Last Saturday, the Rees government suddenly announced that $18 billion would be spent over five years to repair and upgrade the state’s electricity grid, and that $800 million would be set aside to build an extra level of back-up in the CBD by 2014. Energy Minister Ian Macdonald declared it would be the "largest investment in the electricity network in the state's history".

However, the money will not come from the profits of the power companies, or the annual dividends that the state-owned companies have paid to the government. Nor will it come from the large commercial electricity users. Instead, household consumers have been told they will face electricity fee increases of about $130 a year. Household charges are expected to rise by 16 percent as early as July, followed by four annual hikes of 8 percent—making the total increase more than 50 percent.

Two decades ago, federal Labor governments, as part of their "de-regulation" and "national competition" agendas, began the transformation of the electricity network nationally into a market-driven collection of privatised or corporatised power companies. They claimed that the market would deliver cheaper and more reliable electricity.

The outcome has been the opposite, with ordinary consumers forced to pay ever-higher charges. At the same time, both the private operators and the remaining state-owned corporations have starved the electricity grid of the necessary resources for maintenance, repair and upgrading in order to maximise short-term profits and dividends.

Each year, Energy Australia, together with the state's two other electricity retailers, Integral Energy and Country Energy, has paid "distributions" of hundreds of millions of dollars to the NSW government. In 2007-08, the company's before-tax earnings were $574 million, and it paid $272 million to the government. In total, according to the NSW Audit Office, the government received $1.4 billion in income from "electrical entities" in 2008, more than the forecast $1.15 billion. Predictions for 2009 to 2012 are about $1.1 billion each year.

Despite rising household charges, investment in infrastructure has fallen far short of what is required to meet the needs of modern society. In the understated words of the Australian Energy Regulator's 2008 "*State of the energy market*" report: "Generation investment has been slow to respond to rising demand, high prices and the need to replace some ageing plant."

Nevertheless, business groups have seized upon the Sydney blackouts to demand the acceleration of the privatisation of the electricity industry. The NSW Business Chamber has asserted that the state will have a "power deficit by 2014-15 if the NSW government doesn't move quickly to allow the private sector to start construction of new baseload generators".

Last year, despite being publicly backed by the Rudd federal government, Rees's predecessor, Morris Iemma, failed to push through parliament the sale of the NSW electricity retailers and generators, which Labor initially claimed would raise $15 billion from eager investors. Since then, the Labor government has pursued a "Plan B" of selling the retailers, while retaining ownership of the power stations—a scheme that does not involve passing legislation.

Opinion polls last year showed that 85 percent of people in NSW opposed privatisation. Yet, the state Labor government is determined to proceed. Finance Minister Joe Tripodi is currently on a three-week international "roadshow" to attract investors for the forthcoming sale.

Far from ending the rundown of the electrity network, the sell-off will only compound the problems. The involvement of private energy corporations preoccupied with short-term profits will not guarantee adequate investment in electricity generation nor the proper maintenance and overhaul of the existing network. Large corporate users may obtain cheaper prices, while further burdens will be imposed on millions of ordinary people.

Worldwide, the experience has been that privatisation leads to higher prices and unreliable supply for working people. In California, the Enron debacle left the population with a $71 billion bill, in Rio de Janeiro, prices jumped 400 percent following privatisation. In Soweto during the 1990s, some 60 percent of people had their electricity cut off because they could no longer afford the prices. Significant blackouts have occurred over the past decade in Auckland, Melbourne, London, and Chile following privatisation.

The Sydney blackouts highlight the fact that, whether run by state-owned companies or handed over to profit-making corporations, the present economic order is incapable of providing the reliable, affordable and sustainable electrical supply that is indispensable in modern society, and crucial for further technological development.