

Australia: Labor backs move to sack thousands of electricity workers

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In the ongoing brawl over electricity pricing in the Australian state of New South Wales (NSW), the opposition Labor Party has lined up with business groups representing major commercial electricity users to condemn the Liberal state government headed by Premier Mike Baird.

The Labor Party's federal resources spokesman Gary Gray and state Labor leader Luke Foley yesterday denounced Baird for launching a legal bid to overturn a pricing ruling by the Australian Energy Regulator (AER) that will lead to the elimination of at least 2,500 power workers' jobs.

As part of the increasing privatisation of Australia's state-run electricity grids, the AER has since 2005 regulated the electricity market. It sets prices and determines what the electricity corporations can charge corporate and household customers to recoup upgrade and maintenance costs. On April 30, the AER decreed that Networks NSW must cut its charges by about 30 percent to match the fully-privatised operators in neighbouring Victoria.

Earlier this month, Vince Graham, the CEO of Networks NSW—the state holding company that runs the electricity distributors Ausgrid, Essential Energy and Endeavour Energy—announced that the corporation would shed “a minimum” of 2,500 jobs as a result.

Publicly, Gray and Foley justified their support for the AER decision by claiming that it would cut household bills by “up to \$313” a year. In reality, their prime concern is to reduce costs, and boost profits, for the biggest corporate electricity consumers.

In a *Sydney Morning Herald* column yesterday, Foley first postured as a champion of ordinary electricity consumers. Then he got to the point: “Lower prices benefit every business in the state—they reduce costs and help create jobs. That is why earlier this week the

business users of energy, as represented by organisations such as the Energy Users Association of Australia and the Major Energy Users Inc, expressed their disappointment in the government's decision to seek higher electricity prices.”

As the *Australian Financial Review* noted, Labor “has joined business in slamming the Baird government's decision to start a legal battle with the regulator.”

For his part, Baird is blatantly trying to boost the price that his government will get for the planned long-term lease of 100 percent of distribution firm Transgrid and 51 percent of Ausgrid and Endeavour Energy.

At the March 28 NSW state election, the Liberal-National Coalition claimed that it would raise \$20 billion from the privatisation. But lower electricity consumption prices will sharply reduce Networks NSW's revenues, cutting the amounts that investors are likely to pay for its assets.

The Labor Party lost that election after campaigning almost solely on the basis of supposedly opposing the sell-off, while indicating its readiness to back the then-anticipated AER ruling and enforce the resulting job destruction.

The AER dismissed NSW Networks' contention that the revenue cuts would undermine service provision. The lack of adequate maintenance staffing was, however, exposed when storms swept through NSW last month, resulting in over 200,000 households being without electricity for days on end. Networks NSW personnel were stretched beyond capacity trying to reconnect damaged services.

Reduced spending on maintenance inevitably produces blackouts during heat waves and severe cold snaps. Outdated and poorly maintained networks have already led to electricity shortages during extreme

weather conditions that have caused deaths, as well as severe dislocation (see: **“Australian heat wave kills 60 people, triggers power and transport chaos”**).

Maintenance cutbacks also compromise hazard reduction programs, including brush clearance under transmission lines. Almost half the fires in Victoria’s 2009 Black Saturday disaster, which killed 173 people, were started by sparks from poorly maintained power lines.

To garner public support for its ruling, the AER said it could reduce annual household bills by \$131 to \$339. Even if this were true, it would do little to ease the burden on working-class families, who were slugged last year by power bills averaging \$1,925.

In reality, Endeavour Energy customers would see bills reduced by just \$106 annually, or 5.3 percent—that is, a mere \$8.80 a month. For Ausgrid customers the fall would be \$165, or around \$13.70 per month. These two businesses provide electricity for Sydney, Newcastle and Wollongong, the state’s main population centres.

However, there would be significant savings for major corporate customers, which already benefit from cut-price supply contracts. In 2010, for example, Tomago Aluminium, which consumes around 10 percent of the state’s electricity—some eight million megawatts a year—locked in an 11-year contract with Macquarie Generation to allow it to “expand operations.”

The large industrial users are demanding even lower prices. In its submission to the AER, the Energy Users Association, whose members include some of the state’s largest corporate consumers, called for a further reduction of 20 percent. It criticised the April 30 AER ruling as only a “small step.”

The pricing cuts by the AER, which brands state-owned electricity businesses as “inefficient,” are also in line with long-running demands by federal governments, Labor and Liberal alike, for state governments to sell off their remaining power assets.

At the same time, the Baird government is confident of achieving further savings from negotiations with the Electrical Trades Union (ETU) and United Services Union (USU). Both have signalled their commitment “to work with Networks NSW and the Baird government” to identify cost-cutting “options,” including redeployment and early retirement schemes,

to impose the required job cuts and a possible wage freeze.

A similar assault on the jobs and working conditions of power workers is on the cards in other states, such as Queensland. The AER is currently considering its revenue determinations for their electricity networks.



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