

Australian state government sells power generator for next to nothing

Terry Cook
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The New South Wales (NSW) state Liberal government of Premier Mike Baird, with the assistance of the trade unions, is pushing ahead with the privatisation of the remaining state-owned electricity assets.

In what can only be described as a further plundering of state assets, the Baird government on November 19 sold off the Delta Energy black-coal-fired Vales Point power station, the last coal-fired power generator remaining in state hands, for \$1 million.

The 1,320-megawatt capacity Vales Point plant, which is situated on prime real estate on the southern shore of Lake Macquarie, north of Sydney, was gifted to a consortium headed by Brisbane-based entrepreneur Trevor St Baker and coal baron Brian Flannery. The venture comprised Sunset Power International and a joint venture between Vales Point Investments and Waratah Energy.

St Baker, whose wealth is estimated by *Business Review Weekly* at \$817 million, was an engineer with the former Electricity Commission of NSW and founder of ERM Power, an ASX 300-listed gas-fired power company.

In yet another illustration of “imaginative book keeping,” the Baird government justified its bargain basement price for Vales Point by claiming that the state would avoid liability for any future decommissioning of the facility. Under the deal, however, the state government remains liable for reclamation and repair of environmental damage when the plant is shut down.

In an effort to dress up the deal, NSW Treasurer Gladys Berejiklian claimed that \$130 million held by Delta Energy for capital expenditure would be returned to the government. That is, the government will get funds that already belong to the state.

The St Baker-Flannery consortium has no plans any time soon to decommission the power station, which has a possible operating life until 2029. Last week, St Baker told media: “We have been involved in this business for a long time on the coal side and the power side and we intend to trade with the market in a smarter and more effective way.”

The Vales Point sale is the last in a series of privatisation deals by the NSW government to hand over the state’s power generating assets to big business for next to nothing.

Budget documents released by the NSW Treasury in October showed that the state government injected \$448 million into Delta Energy ahead of its \$676 million sale of the company’s Colongra, Mt Piper and Wallerawang power plants. Delta’s latest available annual report revealed that the sale of the power stations still left the energy company with a debt of \$656 million and equity of only \$16 million.

The Treasury report also revealed that the privatisation of Macquarie Generation’s and Delta Energy’s power assets saw the government pay the private buyers’ stamp duty of \$128 million. This meant that the proceeds from the total sales were just \$1.412 billion, which according to the report, amounted to a loss of \$220 million on the book value of the assets.

In 2013, under Baird’s predecessor, Barry O’Farrell, the government announced the sale of electricity generator Eraring Energy, whose assets included Eraring power station, one of Australia’s largest, and the Shoalhaven Hydro power station.

Eraring’s assets, which were valued at more than \$1 billion, including the cost of a recent \$200 million upgrade, were sold to Origin Energy for just \$50 million. The private energy provider was also awarded \$300 million by the state government, to compensate it

for the termination of a contract to provide Eraring Energy with coal from a still-to-be developed mine.

Baird, then the state Treasurer, claimed that because the government would retain “residual cash” held by Eraring Energy, the total transaction would only cost taxpayers \$75 million. He proclaimed the Eraring deal “a win for the people.”

From the outset, the trade unions have worked to contain and divert all opposition by power workers to the privatisation of the electricity assets. While organising harmless protests to let off steam, they sat down with management to negotiate the destruction of thousands of jobs through “voluntary” redundancies.

Last week, Newcastle Trades Hall Council secretary Daniel Wallace welcomed the Vales Point deal, claiming that it committed the new owners to guarantee the jobs of the plant’s 300 employees for the next four years. “The four-year job protection guarantee,” he declared, “is what other workers in the power industry have achieved.”

In reality, the new employer has agreed only to cover the workers’ entitlements and superannuation liabilities, which does not prevent it from shedding jobs in the future. Jobs continue to be destroyed under similar “guarantees” following other privatisations, with management undermining pay and conditions then offering “voluntary” redundancies to workers to quit the industry.

In December 2013, as the privatisation of Delta Energy’s assets commenced, the Electrical Trades Union called on government parliamentarians to “stand up” to Premier O’Farrell and Treasurer Baird and defend “the best interests of their local community, rather than toeing the party line.”

The most recent anti-privatisation demonstrations called by the power unions occurred during the state election in March this year. These events were part of a cynical political operation aimed at boosting support for Labor, which falsely claimed to oppose electricity privatisation.

In reality, the basis for the privatisation of the NSW generators and the distribution network was laid by the previous state Labor government. Labor pushed through legislation to privatise the NSW’s retail electricity businesses just before being swept from office in the 2011 state election on a wave of popular hostility to its pro-market agenda.



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