

# Australian electricity sell-off sets new benchmark for Labor's national privatisation agenda

By Terry Cook  
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The Liberal-National state government in New South Wales has effectively set an extraordinary new benchmark nationally for handing over state-owned assets to the financial and corporate elite.

On July 1, Premier Barry O'Farrell's state government announced that it would sell an electricity generator, Eraring Energy, whose assets include Eraring power station, one of Australia's largest, and the Shoalhaven Hydro power station, for just \$50 million. Eraring's assets have been valued at more than \$1 billion, including the cost of a recent \$200 million upgrade; and it made nearly \$140 million in profits last year.

Not only that, but the buyer, Origin Energy, will actually receive \$300 million from the state government, supposedly to compensate it for the termination of a contract to provide Eraring Energy with coal from a still-to-be developed mine.

This lucrative deal provides a picture of what Labor Prime Minister Kevin Rudd means by "reform" and deregulation of the energy sector as a core element of his "new national competitiveness agenda" outlined in his National Press Club address on July 11. Falsely dressed up as a drive to cut electricity prices, the privatisation program will only further boost corporate profits, at the expense of electricity industry jobs and conditions.

NSW Treasurer Mike Baird tried to portray the Eraring deal as a "win for the people", claiming that the coal supply contract would have required the government to spend \$1.5 billion to develop the Cobbora coal deposit near Dunedoo in the state's mid-west. In reality, the government is also preparing to sell off the large and valuable Cobbora deposit.

In a piece of dubious accounting, Baird claimed that because the government would retain "residual cash" held by Eraring Energy, the total transaction would cost taxpayers just \$75 million. This bookkeeping trickery cannot disguise the fact that public funds, and valuable resources, are being handed to big business for next to nothing.

Origin, the country's largest electricity retailer, is itself a previously privatised entity. Under the last state Labor government's "GenTrader" sell-off program, Origin bought the trading rights to Eraring's output.

Similar handouts will be on offer to the purchasers of two other NSW generators, Macquarie Generation and Delta Electricity, which both have coal contracts with the government.

Having derailed the widespread working class resistance to the previous state Labor government's privatisation program, the trade unions are once again facilitating the latest instalment. Union leaders have criticised the Eraring deal as a "fire sale", negotiated without a commercial tender, but offered no objection to the underlying agenda.

Electrical Trades Union NSW secretary Steve Butler said the deal should be "aborted or, at the very least, put out to tender". In other words, the union does not oppose the privatisation itself, just the price.

At the same time, the unions are trying to head off the hostility of their members, whose jobs will inevitably be decimated before long—as with all privatisations. Eraring employs over 300 people. The sale deal includes a supposed guarantee of jobs, pay and conditions, but for only four years.

The unions have proposed no protests or action over the latest sell-off. Instead they have proposed limited

protests and futile appeals to state government parliamentarians from the rural-based National Party over any future sell-off.

The O'Farrell government made an empty promise not to privatise the state's electricity distribution network, estimated to be worth as much as \$30 billion, prior to the next state election. To facilitate the sale of the "poles and wires", the government last year merged the state's three distributors, Ausgrid, Essential Energy and Endeavour Energy, into a single company, at the cost of 780 jobs.

The federal Labor government has aggressively driven this agenda nationally. Last year, former prime minister Julia Gillard exploited widespread concern about skyrocketing domestic power bills to press for further "free market" restructuring measures in the energy sector. She blamed "gold plating"—especially by state-owned providers—for escalating electricity prices. Gold plating refers to supposed over-investment in transmission and distribution networks.

A submission by the Department of Prime Minister and Cabinet to a Senate Select Committee on Electricity Prices last September declared that "continued government ownership of the energy business is impeding greater competition and efficiency, and reduces market confidence by creating uncertainty and risk for sector investors."

The Labor government's "Energy White Paper 2012: Australia's Energy Transformation" demanded that state governments across the country fully privatise remaining state-owned electricity assets, estimated to be worth more than \$100 billion.

Privatisation will not result in lower prices for the consumer. The experience in Britain, New Zealand, Victoria and South Australia is that prices have increased. According to the Energy Users Association of Australia, South Australia and Victoria have the third and fifth highest household electricity prices in the world. Electricity has been fully privatised in South Australia for over 12 years and Victoria for 17 years. Many electricity assets remain state-owned in Western Australia, Queensland and Tasmania, but these governments are under federal pressure to change that.

In his July 15 National Press Club speech, after consultations with the unions and the Business Council of Australia, Rudd unveiled a seven-point agenda to drive up productivity. Number one on the list was

tackling "domestic electricity price regulation".

Pursuing the same line as Gillard, Rudd declared: "The primary reason for the hike in electricity prices appears to be the current system of national electricity regulation which has allowed excessive rates of return to publicly-owned transmission and distribution utilities which have become cash cows for various state and territory governments."

The current Labor government, working with Liberal-National state governments, is exploiting the crippling costs being born by households to implement measures designed to slash the cost of power for big business, and provide lucrative opportunities for corporate investors.

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