

# Shocking Approaches to Privatisation

[Energy](#) | [Alan Moran](#)



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In the NSW election, electricity privatisation is one of the few areas which divide a somewhat damp and untried Coalition from a pragmatic and experienced Labor administration. Both contenders are busily vying to demonstrate how much more of the taxpayers' money they intend to spend but the Carr Government is a nose ahead in that part of the race. Not surprisingly, Carr and Treasurer Egan see electricity privatisation as a means to finance their campaign promises. Frustrated in this by the ideologues on the left and the vested interests among the unions, they are saying as little as possible about privatisation in the campaign, hoping to sneak in a partial privatisation down the line.

Chika has fewer such vested interests to placate. The Coalition seeks a full privatisation, with 80 per cent of the revenues designated to repay all the State's debt. This leaves 10 per cent, \$2.6 billion, to return to the real shareholders, the NSW households. It also leaves a \$2.6 billion slush fund to finance a great many electorally appealing pet projects. Doubtless Ros Kelly could give advice on how these might be suitably arranged and classified on a whiteboard.

The Australian Consumers' Association campaign release on electricity shows a preference for the Coalition's policy. The ACA has given the NSW Coalition 8 out of 10 and the ALP only 4.5 out of 10. Of course, both the Greens and the Democrats score perfect tens but they do so by promoting the ACA's agenda of unadulterated environmentalism and pure consumerism. Such policies might please consumer activists but the wasteland of de-industrialisation, abandoned coal mines and power stations, and a doubling of electricity prices would hardly appeal to ordinary voters.

The irony of the ACA's thumbs down to Labor is that the radical Campaign wing was created to support the ALP. Bob Browning (*The Network*, Canonbury Press 1990) documented the takeover of the ACA by radical reformists in 1979. Prominent among these was Alan Asher, now the ACCC Commissioner responsible for the electricity industry. The ACA set about assisting the Hawke Government in the 1983 election and was richly rewarded for its efforts.

Obtaining ACA endorsement is cause for suspicion that something is amiss. And the Coalition is offering hostages to the consumerists. One of the provisions of its platform is a midwife to the consumerists wildest dreams: electricity supply businesses are to be made liable for any damage from power surges to households' electrical appliances, 'regardless of cause'. This absolute liability is likely to bring a very high standard of reliability. Electricity suppliers would be incentivised to make their wires and pylons even more immune from the effects of possums and runaway vehicles.

But this comes at a cost and it is unlikely that the average consumer will see its value in the bills they pay. Not surprisingly, the ACCC has clutched the issue to its bosom, and the matter is presently before the courts.

Electricity distributors have a reasonable feel of the cost/reliability trade-off across the spectrum of their customers. Fearing that price regulators would play to the gallery, they are alarmed that they may face increased liability costs without the regulators permitting any offsetting ability to recoup these in higher prices.

The Coalition will doubtless see its policy compromises as persuasive means of introducing privatisation. Privatisation is almost always electorally unpopular, though as successive Kennett victories have demonstrated, it will often not influence votes other than those concerned for their jobs in featherbedded inefficient government businesses. There are, in fact, relatively few of these in New South Wales electricity, especially since the industry's corporatisation.

Privatisation will enable the reforms to date to be built upon. The measures proposed by the Coalition will bring a net gain to the taxpayer of \$500 million per annum in debt interest savings. They will also prevent the sort of costs foisted on the taxpayer which were a consequence of the over-enthusiastic commitment by energyAustralia to the Redbank power station at a time of excess supply. That, and the on-going poor profit performance of the generators, demonstrates that the industry is no place for government-owned businesses.

The Coalition's timidity is in not trusting the shareholders of the NSW electricity assets, the people themselves, with a bigger share of the sale revenues but instead taking half with the Millenium slush fund. This is a policy approach having more in common with the non-Lathamite rump of the ALP. It is one that Carr and Egan must surely wish they could vote for.

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