

# Electricity Privatisation FAQ

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## **What is the lemma government planning?**

The government wants to privatise the electricity retailers (Energy Australia, Integral Energy, Country Energy) and lease the publicly owned power stations for at least 50 years.

## **Why is the government trying to privatise the electricity industry?**

The government claims that rising demand for electricity means the state will need a new baseload<sup>1</sup> power station by 2014 to keep the lights on. Treasurer Michael Costa has ruled out borrowing money to build it and argues that private power companies will only invest in a fully privatised industry.

The lemma government is driven by the myth that private enterprise is always better than public sector provision, despite overwhelming evidence that the opposite is the case.

## **Why are the Greens opposed to privatisation?**

The Greens are opposed because it would be bad for the environment, electricity industry employees, consumers and the state economy.

## **Is privatisation necessary?**

Privatisation is the wrong answer to the wrong question. NSW does not need a new baseload power station. Reducing demand for energy through improved efficiency, energy conservation and reduced consumption will keep the lights on and reduce costs to consumers, without massive investment in new large generators.

Even if a new baseload power station were needed, privatisation would not be necessary. A gas power station is being build by a private consortium in the Illawarra region and a massive wind farm is planned near Broken Hill, even though the industry is largely publicly owned.

## **Won't the lights go out if we don't privatise and build new baseload?**

No. This is a myth being peddled by a government that ignores expert advice on the many smart options available to reduce NSW's energy use and move towards a sustainable, renewable future.

For example, phasing out inefficient electric off-peak hot water systems would remove the need for new baseload capacity and reduce the state's greenhouse emissions.

## **What are the environmental consequences of the proposal?**

Privatisation and a new baseload power station would be a greenhouse disaster. A new coal power station would increase NSW emissions by at least 7 per cent. Privatisation would hand 57 million tonnes of emissions to the control of private corporations. Not only would this make it very difficult to close these stations down (as will be needed to achieve reductions in emissions to sustainable levels) but also corporate owners will be seeking to drive up profits by selling yet more energy.

The worst case scenario – envisaged by the government itself – would be for the companies that own the generators to also own the retailers. Any push for improved household energy efficiency would be overwhelmed by the profit motive of the generators to sell more electricity.

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<sup>1</sup> Base load refers to the large power stations that are designed to run for 24 hours a day. In NSW they are mostly fuelled by burning coal which produces more than 35% of the state's greenhouse gas emissions.

To avoid dangerous climate change, dramatic action must be taken in the next few years to shift NSW on to a post-carbon pathway, including phasing out coal power stations and replacing their output with renewable energy generation and energy efficiency. The political power of private owners would make this almost impossible.

**Are electricity industry jobs at risk?**

Yes. Past experience with electricity privatisation in Victoria, South Australia and overseas shows that one of the first actions of a newly privatised company is to drive up profits by slashing jobs – leading to reduced standards of maintenance and customer service. Hundreds of call centre jobs, many of which are now based in regional towns, are likely to be sent overseas.

**But wouldn't prices drop and customer service improve?**

States with privatised electricity pay higher prices than NSW. In addition, private retailers often try to "push" demand through various inducements to unsuspecting consumers.

Consumers in regional and rural areas can expect vastly reduced customer service. The Telstra nightmare in the bush serves as a warning about what could happen.

**Why is public ownership important?**

Beyond the environmental, social and economic arguments against privatisation, public ownership is important in its own right. Electricity is a core part of the state's infrastructure. Shifting responsibility for essential services to the private sector undermines the public's capacity to ensure critical needs are met.

**Does the proposal make economic sense?**

No. The lemma government is claiming it will save \$15 billion from the sale and lease deals. However, the government will lose more than \$1 billion a year in dividends that it currently receives. Also, because the price of carbon in an emissions trading scheme is not yet known, private companies will not be prepared to pay much for the generators.

If the industry is profitable enough to sell to private companies, it is a good investment for the government to continue to own. The fact the Chinese government is interested in buying it makes a mockery of the whole proposal.

**What about the projects that could be funded with the sale proceeds?**

The lemma government has floated a number of infrastructure projects to be paid for with the proceeds of the sell-off, aiming to tempt voters into supporting the sale, including a metro rail system in Sydney and a motorway in the inner suburbs. If the government is committed to funding public services like this, it could better do so from the \$1 billion per year it currently receives from owning the electricity industry.

These projects are mostly centred on Sydney, while privatisation would take away many of the economic benefits of the industry to regional centres. This represents a transfer of wealth from already disadvantaged regions to metropolitan Sydney.

**Isn't it too late to stop privatisation?**

No! This proposal is proving to be deeply unpopular in the community, unions, and even many members of the Labor Party. Despite their tough rhetoric, a strong community campaign can make the government cave in, as they did with the attempted sell off Snowy Hydro.

**Where can I get more information?**

Visit [www.john.greens.org.au/no-sell-off](http://www.john.greens.org.au/no-sell-off) for more information, action materials and updates on the campaign.