



Australian Citizens Party

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MEDIA RELEASE

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Stop the madness! Return to public electricity systems

Thirty-one years after Australia embarked on electricity 'reform'—corporatisation, privatisation, deregulation, national electricity market, and the renewable energy target—the experiment has been a massive failure. Re-nationalise the system—now!

Any serious investigation into Australia's current energy crisis should start with a hearing that calls former Prime Minister Paul Keating and any surviving authors of the May 1991 Industry Commission report on [Energy Generation and Distribution](#). (The commissioners who put their names on the report were A.C. Harris, K.J. Norton-Stephens, T.J. Hundloe, and A.J. Webb.)

The hearing should demand these men answer, under oath, the following questions: Did it work? Thirty-one years after they initiated electricity "reform" in Australia, can they honestly say they improved the system?

A reading of the Summary and Recommendations of their 1991 report reveals the only honest answer must be: "No, it didn't improve the system—it broke it".

When Paul Keating referred the electricity and gas system to the Industry Commission (now Productivity Commission) in 1990, he asked it to inquire into "the scope for improving the *efficiency* of electricity generation" (emphasis added). Australians today may find this hard to believe, but, notably, Keating did *not* ask the Industry Commission to investigate high prices; nor did he ask it to report on the reliability of supply. The reason why is simple: *high prices and unreliable supply were not problems in 1990!*

Neoliberal agenda

So, what were the problems in 1990 that led to the Industry Commission inquiry? Effectively none. By today's chaotic standards, Australia's electricity system in 1990 was world class at doing its basic task of supplying cheap and reliable electricity. In fact, the report acknowledged that "Australian energy prices compare favourably internationally".

However, the report made the following observation that hints at the motivation behind the inquiry: "In many countries, the gas and electricity industries have remained largely in private hands", the report noted. "In Australia, the electricity industry is almost totally government owned..."

The neoliberal mania for privatising public assets was just beginning in 1990 and Paul Keating was at the vanguard, going on to sell off the first tranche of the Commonwealth Bank in 1991, Qantas in 1992, and CSL in 1994.

With nothing else to complain about, the Industry Commission, a bastion of neoliberalism in Australia then and now, focussed on an alleged lack of "efficiency" in Australia's electricity and gas systems. "It is imperative that they function as efficiently as possible", the report stated. "If they perform poorly, the international competitiveness of major industries is undermined and our standard of living will suffer. *The electricity and natural gas supply industries have not been performing to their full potential.*" (Emphasis added.)

What exactly did the Industry Commission mean by this statement? Specifically, the report complained about "poor investment decisions" that had led to "excess capacity" and "gross overstaffing". It also complained about "cross-subsidies" on pricing between residential and industry users, and metropolitan and regional users. "These inefficiencies have cost us dearly", the Industry Commission asserted. "The costs have not been quarantined to the electricity and gas supply industries themselves. They have been borne by users and taxpayers generally."

Thirty-one years later, what would most Australians "users and taxpayers" prefer? An energy system in which the biggest problems are "too many" employees, "excess capacity", and "cross-subsidies" that benefit residential and regional consumers—all while still delivering cheap and reliable power? Or an energy system with sky-high prices, threats of blackouts on bitterly cold winter nights from "load-shedding", and gas shortages in the country that's the biggest liquefied natural gas exporter in the world?

The Industry Commission report recommended corporatisation and privatisation of the electricity

system to create competition and increase efficiency. Take note of the following claims the Industry Commission made as to the benefits that would flow from its reforms:

- National output would expand “by around \$2.2 billion annually”.
- “But, even if the benefits were overstated by 50 per cent, the conclusions would be unchanged: reform of the electricity and natural gas industries can yield substantial benefits to the economy as a whole.”
- “The analysis suggests that, in the long run, improvements in productive efficiency would result in a decrease in average electricity prices.”
- “In the longer term, the Commission expects that greater efficiency would lead to considerable decreases in overall costs, with consequent savings for users and the community generally.”

Consequences

Thirty-one years later, Australians can see that none of this came true.

Corporatisation was just the beginning. In 1995 Victorian Premier Jeff Kennett kicked off electricity privatisation in Australia, which was followed by deregulation, and the national electricity market (NEM). Australia went from having state-owned power utilities that built the infrastructure, connected the power to homes and businesses, and charged enough to cover costs, to having a riot of “competing” generators, utilities, and retailers, as well as speculators in the NEM. The 2004 Renewable Energy Target (RET) added to the general chaos, not least due to the physical strains on the power grid from the wildly fluctuating renewable energy supply.

Electricity prices in Australia have soared by more than 350 per cent since around 2000. It could be said that the corporatisers solved one supposed “problem”: excess capacity disappeared, and now industries and consumers are conditioned to expect power rationing and power failures during periods of high demand. Thanks to deregulation and the NEM, periods of high demand also mean wild wholesale price spikes, from around \$50 per megawatt-hour (MWh) to *as high as \$14,200 MWh*. Ludicrously, 30 per cent of consumer bills covers the “retail” side of the system, including the cost of those pesky marketing calls from overseas—none of which was necessary when all electricity was provided by state electricity commissions and boards.

In 2009, former PM John Howard boasted privatisation was part of “the neoliberal experiment of the past 30 years”. The results of the experiment are in—it failed.

Now is the time to re-nationalise the electricity systems, returning them to state government ownership and control. Also, scrap the National Electricity Market, and once again have state agencies invest in the infrastructure that is required. Necessarily this would involve returning to having “excess capacity”, but what accountants, bankers, and ignorant politicians call excess capacity, engineers and visionary statesmen know is preparing for the future. A national bank should be established to fund nationalisation and the national investment that will be required. The Citizens Party has drafted legislation [for such a national bank](#), and complementary legislation for a national post office bank that could invest its surplus deposits in a national bank to fund infrastructure projects.

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