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Attention: General and Political reporters

New report lays bare electricity privatisation's "record of failure"

Prominent Australian economist Professor John Quiggin has launched a scathing attack on energy sector privatisation, concluding that it has failed to deliver promised benefits for consumers.

Professor Quiggin examined 20 years of pro-privatisation reform in his report, *"Electricity Privatisation in Australia: A Record of Failure"*, which included a detailed economic examination of the outcomes of power sales in Victoria and South Australia.

His research has revealed that many of the claimed benefits of privatisation have not been supported, with key finding including:

- price rises have been highest in States with privatised electricity networks;
- customer dissatisfaction jumped, with complaints to the energy ombudsman in privatised States leaping from 500 to over 50,000 per annum;
- resources have been diverted away from operational functions to management and marketing, resulting in higher costs and poorer service;
- reliability has declined across a wide range of measures in Victoria;
- promised increases to investment efficiency have not occurred;
- real labour productivity has reduced as employment and training of tradespeople was gutted and numbers of managerial and sales staff exploded;
- private owners are receiving unjustifiably high rates of return based on the low investment risk; and
- consumers in privatised states bear the cost of approximately 10 per cent per annum interest on private owners' debt, compared to substantially lower government borrowing costs of three per cent.

"Privatisation, corporatisation and the creation of competitive electricity markets were supposed to give consumers lower prices and more choice, promote efficiency and reliability, and drive better investment decisions," Professor Quiggin said.

"But after twenty years the evidence is that none of these promised improvements have been delivered. After a marked fall in real electricity prices across Australia from the 1950s until the mid-1990s under public ownership, privatisation and the introduction of the National Electricity Market led to a reversal of that trend.

“Prices have risen dramatically. A secure low-cost supply has been replaced with a bewildering array of offers, all at costs inflated by a huge expansion in marketing.

“My research comprehensively finds that the free market based reform process in energy has been a failure.

“Reforms have failed to deliver a competitive market that benefits consumers. The evidence is there that public ownership of critical energy infrastructure is the only sensible response.”

ETU National Secretary Allen Hicks said that despite this clear and irrefutable record of failure, State and Federal conservative politicians continue to claim that the only option for improvements was yet more privatisation.

“This research has destroyed those arguments,” he said.

“Privatisation has produced no benefits to consumers, but has resulted in large financial losses to the public. Australia’s future economy and the wellbeing of our communities depend on accessible, affordable, reliable and safe electricity supply.

“This independent academic research has confirmed our long-held concerns that the sale of publicly-owned power assets is an absolute disaster.”

ETU Queensland NT State Secretary Peter Simpson said Professor Quiggin’s research had confirmed anecdotal experiences that a free market push for the electricity sector not only fails to improve power affordability, it actually leads to higher prices.

“In Victoria, workers, along with the broader community, have been suffering the detrimental impacts of electricity privatisation for two decades. And our members here in Queensland and in the NT are suffering the pre-privatisation effects of an LNP Government privatising electricity asset by stealth. They have had the worst of both worlds, massive price increases and 1650 job cuts in Queensland’s electricity sector since the LNP took office in 2012 and the NT has lost hundreds more ” he said.

“It will come as no surprise to our members that this detailed examination of the economics has concluded privatisation has been a ‘spectacular failure’ and that there is no justification for further sales. It strengthens the not for sale message and comes hot on the heels of the Orion Report”

“That independent report clearly smashed the myth that public ownership is a drain on the public purse, in fact it showed how well-managed public owned electricity assets are well placed to provide both social and economic benefits to Queenslanders including a headline saving on power bills of \$310 per year from 2015”

“For states like NSW and QLD, where the future of publicly owned electricity assets is under threat from governments with a strong privatisation agenda, this research provides a factual basis to drive decision making, rather than a reliance on free market ideology.”

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