Citizens Electoral Council of Australia

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Electricity is a public good, not a commodity—nationalise Australia's power supply now!

The National Electricity Market (NEM) is wrecking Australia's economy and endangering lives. For the sake of the Common Good it must immediately be shut down, and the generation, distribution and retail of electricity returned to public control.

Australia possesses enough natural resources to generate unlimited electricity at miniscule expense, yet Australian businesses and households are paying the highest power bills on the planet. Manufacturers are shedding thousands of jobs, and many are shutting down altogether, for want of a reliable, affordable power supply; and as the ABC has reported, working families unable to make ends meet are turning to charities for help with their energy costs while the ill, the aged and the infirm are having to forego medication and even meals just to keep the lights and heating on. This is the direct and inevitable result of the National Competition Policy (NCP) "reforms" of the late 1990s, greatly exacerbated by the Howard government's 2001 Renewable Energy Target (RET), all of which were designed to loot the public for the benefit of private interests under the false pretences of cutting red tape, promoting efficiency, and mitigating so-called "climate change".

A March 2017 Grattan Institute study of the Victorian electricity market (the most extensively deregulated in the country), titled *Price Shock: Is the retail electricity market failing consumers?*, found that while the retail price has doubled in the past decade, wholesale prices have been static. Authors Tony Wood and David Blowers wrote that deregulation was supposed to create competition and thereby drive down prices, but instead power retailers "have supercharged their marketing costs for a commodity product that almost every consumer was going to buy anyway"—and then slapped a bloated 13 per cent average profit margin on top, such that the retail component comprises an average 30 per cent of household bills. And beyond shopping around for a slightly better deal, there is nothing anyone can do about it. Where discretionary spending is concerned, the authors note, "if prices become too high as retailers pass on their costs, then customers will leave. But customers in the electricity market have no such option. Electricity is an essential service—people can't 'exit the market'."

Wood and Blowers half-heartedly attempt to justify the "competitive" model as having the *potential* to lower prices; but the truth is, the only essential services retailers provide are metering, billing and customer service, all of which used to be done at a fraction of the cost by the state-government-owned monopolies that existed prior to the NEM. "Marketing costs" did not exist under that system, for obvious reasons; nor did today's volatile electricity market—in which spot prices may spike as high as $14,200 per megawatt hour (MWh)—and the elaborate array of futures, swaps and other financial instruments used to hedge against its fluctuations, the cost of which is passed on to consumers. Thus it may fairly be said that a return to the single-desk retail model would reduce power bills by around one third.

There is however a much more insidious aspect of NCP, with a far greater impact on power prices, which the Grattan study does not discuss: the so-called Principle of Competitive Neutrality.

The Competition Principles Agreement signed 11 April 1995 by the federal, state and territory governments stipulates that "Government businesses should not enjoy any net competitive advantage simply as a result of their public sector ownership." To this end, the National Competition Council website explains, "For significant government businesses, governments undertook to adopt a corporatisation model where appropriate and to impose on the business full taxes or tax equivalents and debt guarantee fees to offset advantages from government guarantees, and to apply to the business regulations normally applying to private sector businesses." In other words, NCP forbids state-owned enterprises from performing the public services for which they were designed, and instead *forces them to operate as for-profit corporations, so that private companies can compete*. The effect is triple where electricity is concerned, as generation, distribution and retail were broken into separate businesses, each required to turn a profit whether privatised or not. This profit focus has in turn crippled capital expenditure, especially on new baseload generating capacity, resulting in chronic shortages.

Were these constraints removed, state-owned generators and distributors could once more sell electricity at near cost price—and that cost price would itself be much lower than at present, for several reasons. Not only do governments enjoy cheaper borrowing costs than the private sector, but the fuel supply (coal and gas) is public property and therefore available to government-owned generators at no cost beyond the expense of extraction. This is how Victoria's Latrobe Valley brown-coal-fired power stations were able to produce some of the cheapest power in the world, supporting high-value industries such as aluminium smelters, oil refineries and auto manufacturers. Since deregulation most of these industries have either shut down, or are about to.

Finally, there is the Renewable Energy Target, which is perhaps the single greatest cause of the crisis.

Of the power sources commonly termed "renewable", only hydroelectricity is worthy of the name. Wind turbines and all forms of solar power are hopelessly inefficient. Even with the artificially high prices of the National Electricity Market, they need an enormous public subsidy of about $3 billion each year to survive. By comparison, one state of the art 1,000 MW High Intensity-Low Emission (HELE) coal-fired power station could be built each year for only $2.2 billion, and would thereafter produce baseload power for $40-$78 per MWh, *at most* one eighth the cost of that from a hypothetical wind turbine-battery storage system. And beyond the immediate monetary cost of subsidising the RET, the damage it has done to the nation by effectively prohibiting investment in new, efficient, reliable power stations is literally incalculable and will take years of work to undo. In the meantime, to prevent total industrial collapse and third-world living conditions in this supposedly developed country, both the RET and the NEM must be scrapped immediately.

Work till you drop, gloats fat cat Costello

By Robert Barwick

Former Treasurer Peter Costello is on a lifetime parliamentary pension of almost $200,000 per year, is a director of the Future Fund, an investment banking consultant in partnership with Goldman Sachs bankers, and the chairman of Channel 9. He told Channel 9's 2 July *60 Minutes* that Australians should be prepared to "work till they drop". Predicting the future, Costello said: "I don't think there will be a concept of retirement." He blamed the problem on demographics and the "investment" environment.

Demographics, namely the aging population, is a serious issue. Costello highlighted that Australia used to have five people in work for every one in retirement, but soon that will reduce to two. However, this is not the reason that Australians increasingly cannot afford to retire. In large part, Costello is.

Peter Costello is one of the cadre of economic extremists who drove a deregulation battering ram through the Australian economy in the 1980s and 1990s. He was a founder of the union-busting HR Nicholls Society, one of the Australian fronts for the British Crown's Mont Pelerin Society (MPS), which directed the worldwide imposition of the neoliberal free-trade, deregulation and privatisation agenda. In Australia, the MPS worked through groups like the HR Nicholls Society, Centre for Independent Studies, Institute of Public Affairs, and the Tasman Institute to infiltrate and take over the Liberal Party and Labor Party. Their objective was to restructure the Australian economy.

Since WWII Australia had enjoyed a high-wage, high-skill industrial economy based on a strong manufacturing sector, which was protected by tariffs, regulations and a strong union movement. It was far from perfect, especially in the early 1980s, but that was due to the turmoil set loose by the collapse of the Bretton Woods system in 1971, which was followed by the oil shock, high inflation, and 20 per cent interest rates at the start of the 1980s. Seizing on the turmoil to demand economic "reform", the MPS fronts set out to strip Australia of its various industrial protections—tariffs, regulations and unions. They schemed for a free-trade world in which Australia would be a raw materials exporter. Not by accident, the majority of funding for these MPS front groups came from the biggest mining companies operating in Australia.

And that's what happened. Hawke and Keating deregulated the financial system, privatised state assets, weakened the unions, slashed tariffs, and stripped Australia's domestic industries of the regulations that protected them from the Coles-Woolworths duopoly and multinational corporations. Howard and Costello simply continued their deregulation, privatisation, and union-busting agenda. To many people it seemed to pay off: in the 2000s Australia's resources-based economy raked in billions from iron ore and coal exports, house prices soared, and Costello handed down a series of multi-billion-dollar budget surpluses (which became the basis for the Future Fund). When the global financial crisis struck in 2008, however, and China stopped importing resources for a few months, the pay-off abruptly ended, and the economy was exposed as a house of cards, only propped up when China resumed importing again.

The end result of this process is a fundamentally bankrupt economy, drowning in debt, completely dependent on raw materials exports, and with a totally changed workforce that cannot afford to retire. The workforce changes include: the shift from full-time employment to part-time and casual; the shift from being an employee with benefits to being a contractor without benefits; the shift away from productive jobs in manufacturing and agriculture to jobs in the services sector. On top of these shifts, the Hawke-Keating government introduced compulsory superannuation as a substitute for an adequate old-age pension, which exposed workers to the fluctuations of the stock market casino. And Costello himself singlehandedly set in train Australia's property bubble, which has driven up housing costs for everybody, including retirees, when he introduced a 50 per cent discount on capital gains tax, which encouraged unbridled speculation in housing.


Channel 9 chairman Peter Costello telling 60 Minutes that "retirement is a word for another age"; Costello is a key architect of the economic reforms that have left Australia and Australians poorer. Photo: Screenshot

In saying that retirement is a "word for another age", Costello cited the fact that when the old age pension was introduced for 65 year olds, average life expectancy was 55, implying that most people died before they retired. That is false: life expectancy is an average of everybody, and a low life expectancy reflects high infant mortality, not longevity; plenty of people who survived infancy lived into at least their 80s. The bottom line is Australia could afford the pension then, and should be able to afford an adequate pension now. To do so, the economy must be restructured, again.

First, if there are only two workers for every person over 65, ensure those workers are in productive jobs. Bring back the manufacturing and agricultural jobs destroyed by free trade, and ensure they are well paid. Increase the employment base by 20 per cent immediately by putting the unemployed and underemployed back into well-paid productive jobs. These jobs can be created by embarking on a massive infrastructure development program, for which skilled retirees who are willing could be recruited to help train unskilled young people. Such projects would stimulate heavy manufacturing industries such as steelmaking, and would actually require more workers than Australia has. The shortage could be made up by increasing immigration to further expand the workforce. An expanded workforce means an expanded tax base which would easily fund an adequate pension that ensures every retiree lives in comfort.

To achieve this would require tariffs to protect the productive industries, a government-owned national bank to fund the projects, a Glass-Steagall separation of the banking system to lock out predatory speculators, and, most importantly, a renewed commitment to the Common Good that refuses to tolerate any part of society being left to the mercy of markets. In other words, it would require Australia to reject everything Peter Costello stands for.