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The privatisation of Electricity Services – where's the sense?

When gas and electricity services were first distributed to private homes a century ago, it was on the basis of small gas retorts and local generating plants. Talking about electricity, if you go up-country you can still find some of these diesel powered plants chugging away in remote areas.

Very soon it was found that this was both wasteful and unreliable. Unreliable because maintenance staff could not be kept on hand 24/7 for organisational reasons, and uneconomical because by its very nature the consumption of electricity is highly variable, particularly when large scale industrial users come into the picture. The widespread introduction of alternating current technologies allowed power to be distributed from along way away, and soon even countries like Australia were implementing national grids consisting of dozens or even hundreds of generating units all linked into one huge system. If one state or area could not supply what was needed locally it could be delivered by a neighbouring supplier. This, incidentally, highlights the nonsense about so-called base load (meaning the sort of constant load which can supposedly only be delivered by coal-fired power stations. Not only do such loads not exist, but the very concept is meaningless in a large grid with many generating stations and many connected users).

Despite the obvious advantages of having one central organisation to produce energy, for many years in Victoria and for all I know, elsewhere, we had separate and competing suppliers for gas and electricity, both owned and run by the State of Victoria. There were competing slogans such as “heat that obeys you” for gas cooking, while there was a special low tariff for an “all electric” household. When environmental considerations came to the fore, the nonsense of this type of competition became increasingly apparent. Clearly, lighting cannot be effectively done by gas, except in light-houses. Conversely, heating water by electricity is perverse, as it involves using the heat from burning coal to produce steam, then turning this steam into electricity, finally turning this electricity back into heat, and very low grade heat at that, at the end-use point. Environmentalists brought about a change in governmental thinking and in Victoria there were moves to amalgamate the State Electricity Commission and the Gas and Fuel Corporation. This would clearly have brought considerable economies to Victoria's energy sector.

However, apart from saving money, the state-run utilities brought other major benefits. Amongst these were the way in the utilities could be used as instruments of social policy, with poorer sections of the population given reduced tariffs. Also, utilities doubled as educational institutions, being major trainers of apprentices in a large number of trades and professions. In addition, workers in state owned enterprises were the back-bone of volunteer services and indeed of local communities.

All this changed with the advent of what, in Australia, we call economic rationalism, a doctrine which is neither economic nor rational. Part of this nonsense is the drive towards privatisation which came to its full horror in the mid 1990s. Since then, the horror has not gone away. It is a crude form of theft in which the assets of the people which were acquired over the years are given away to corporate bandits who, over the following decades, exact endless tribute from the former owners for being allowed access to their erstwhile property.

Except that the access comes under conditions vastly different from the previous public ownership. While, previously, it was understood that the assets required careful maintenance and upgrades as time went on, the private owners have no such qualms. The new philosophy is about the extraction of maximum profit with the devil being invited to take the rest. Unfortunately, private greed being the dominant motivation of the new Australia, our population could be fooled with campaigns, costing millions of their own cash, into believing that they, too, will somehow be beneficiaries of this rape of the people's resources. The ALP played a large part in this, starting around 1990

Let's get back to the privatisation of our energy sector, electricity and gas. Because both fossil fuel and renewable resources are provided for us by nature, their natural price is the cost of extraction and distribution. When the state decides to give these resources away to the private brigands, the price becomes whatever the market can bear. The concessions to disadvantaged groups disappear as do the training aspects and the local community benefits. Because the resources that are privatised are generally natural monopolies, the sky is the limit when it comes to profit maximisation by the thieves.

Curiously, less educated populations around the world didn't take the robbery involved in privatisation lightly. This is particularly so when the "natural" results of this dispossession becomes apparent. World-wide we have seen bitter popular anti-privatisation protests in Argentina, India, Indonesia and Ghana, . In South Africa thousands marched during a two-day general strike against privatisation, which they labelled "born-again apartheid". In Korea, workers held a five week strike to protest against the sale of the national electricity system. In Papua New Guinea students were killed when thousands rallied against the planned privatisation of government services including Elcom, their local electricity authority. Even in China, workers protested against the sale of a power plant in Henan province to a private company and threatened to "block the state highway and lie on the railway while the trains run over us".

In third world countries these protests are often fuelled by the way in which privatisation is brutally imposed from abroad through largely US dominated agencies such as the World Bank and the International Monetary Fund which are clearly identifiable as foreign exploiters and which tie their loans to the selling off of the people's property. However, in Australia the privatisation mechanisms are less obvious, although the effects are there for all to see.

Let me quote Sharon Beder's excellent analysis of the Australian process of misrepresentation. "The case for deregulation could not be represented in self-interested terms to the public. It had to be presented as being in the interest of the wider public. Groups such as the large energy users utilised the language of the free-market advocates.. neo-conservative think-tanks provided the language of deregulation being in the public interest". With the 1995 advent of the Kennett regime in Victoria the way was opened Australia-wide for the introduction of the pool system of pricing which destroyed the last hope of environmentally sound power distribution. It is up to us to support the people of NSW in their current last ditch stand against privatisation of that state's electricity generation.

Next time somebody appears at your door to sell you yet another scheme for paying for your gas and electricity, remind them that we used to have a perfectly good one but were robbed of it by corporate interests.