



Electrical Trades Union of Australia

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Executive Summary

The Electrical Trades Union (ETU) is the Electrical, Energy and Services Division of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU). The ETU represents approximately 65,000 workers electrical and electronics workers across the country and the CEPU as a whole represents approximately 100 000 workers nationally, making us one of the largest trade unions in Australia. Our members are an integral part of the federal public sector and the broader national economy contributing to the sustainability of key sectors of economy such as energy, resources and construction.

The ETU is grateful for the opportunity to submit to the Commission on matters that will directly impact many its members and the issues detailed in this submission represent those that fall within the ambit of the Commission's Terms of Reference and are made in a constructive context.

The ETU supports:

- Regulatory reform to reduce duplication in the energy sector.
- Detailed and publicly available analysis of the Commission's draft recommendations to government.
- Detailed analysis of the long term effects of implementation of any recommendations or subsequent policy reform agendas.

The ETU cautions against:

- Policies such as full privatisation of essential infrastructure and services, specifically with reference to Snowy Mountain Hydro and the National Broadband Network.
- Foreign ownership of essential service infrastructure.
- Short term economic savings such as reductions to investment renewable energy.
- Reintroduction of expensive and redundant entities as such as the Australian Building and Construction Commissioner.
- Pursuing savings to the federal budget at the expense of jobs.

The ETU looks forward to maintaining an active role as an important stakeholder in the Commission of Audit process.

1. Phase One Matters

Commission has been asked to examine and assess the current split of roles and responsibilities between and within the Commonwealth government and State and Territory governments, including areas of duplication. The ETU believes that consideration should be given to fundamental reform to national and state regulatory arrangements within the energy sector.

1.1 Energy Sector Regulatory Reform

Regulation and operation of the National Energy Market is currently undertaken by several agencies such as the Australian Energy Regulator, Australian Energy Market Operator and the Australian Energy Market Commission. These agencies ultimately take direction from the Standing Council on Energy and Resources which is the peak policy body for the NEM.

Operating in parallel to these national regulatory agencies are state and territory based agencies such as the Essential Services Commission (Victoria), Independent Pricing and Regulatory Agency (NSW) and the Queensland Competition Authority. Agencies with similar roles and functions exist within the remaining states and territories.

The current design of the NEM is intended to make these regulators work in a complimentary way to ensure efficient and independent operation of the NEM wholesale generation market and to ensure integrity for the various components (generation, transmission, distribution and retail) of final retail electricity prices for consumers in each of the various states and territories. It is through these functions that these energy regulators have a major influence on the electricity prices.

With regards to funding arrangements, while specific arrangements differ from agency to agency, in every case there is an associated direct or indirect financial or resource impost on the federal government.

We believe that there is some duplication of roles and resources between state and federal regulatory agencies and recommend:

Consideration should be given to reviewing current energy sector regulatory and market arrangements with a view to reducing duplication and increasing efficiency in the both the interface between state and federal jurisdictions and individually within each jurisdiction respectively.

The benefits of this would be three fold in that it would:

- Improve the operation, efficiency and functionality of the industry in both jurisdictions;
- Reduce cost and resources; and
- Benefits of greater efficiency and less duplication ultimately flow to consumers.

1.3 Privatisation of Commonwealth Assets

Privatisation is often justified on, among other grounds, that it will create greater efficiencies through competition and help retire current levels of debt or ameliorate future debt. However, the ETU rejects these assertions completely. Privatisation of essential service assets or agencies such as electricity, which are usually natural monopolies, is not in the long term economic interests of governments or consumers.

The Victorian Bushfires - Case Study

In its submissions to electricity pricing inquiries and consultations since the industry's privatisation in Victoria in 1994, the Electrical Trades Union (CEPU) Victorian Branch repeatedly warned of 'dangerously inadequate ageing infrastructure', of the 'maintenance unaccountability of distribution companies' and of a 'drastically reduced workforce to work on live lines'. A system that was maintained in the past by the State Electricity Commission prior to privatisation, was converted to a segmented, privatised industry with no dedicated form of maintenance and unreliable supply issues. The frailty of the system was highlighted tragically with the Victorian bush fires in February 2009.

The subsequent Bushfire Royal Commission made a number of recommendations regarding the replacement of the ageing electricity distribution network and changes to the regularity of inspections and maintenance.

Victoria's electricity distribution network was long overdue for major investment, in fact one of the main arguments for privatising the assets is so that this investment could occur. However the assets were sold off, the promised investment did not occur and the ageing infrastructure was a major contributor to the bushfire devastation. The Royal Commission into the Victorian Bushfires stated:

“The distribution businesses and the State of Victoria submitted there is a large financial cost associated with any recommendation to replace Victoria’s ageing electricity distribution network with technology that delivers a reduced bushfire risk. In the Commission’s view, the cost of not renewing the network could be far greater. The costs of major bushfires fall on the entire community, and the Kilmore East fire alone demonstrates, in terms of loss of both life and assets, the potential magnitude of those costs.”

The Commission made its recommendations for the benefit of the entire community however for reasons it considered it inappropriate that electricity consumers bear the entire cost of implementing those recommendations and since the scale of the investment required is so large, governments are having to step in and provide the investment funding necessary to upgrade and replace the destroyed and damaged network.

The supposed efficiency gains to be made by private competitive companies are made through short term costs savings which included cutting the quality or level of services and mass job losses. For example in the employment in the electricity sector fell from 83,000 in the mid-1990s to 33,000 workers in 2003 following privatisation. The flow on effect of this is enormous, especially in rural communities. The government bears the economic burden of the lost jobs while the community bears the social cost.

Government can privatise the ownership of essential community infrastructure such as electricity generation and distribution assets but it will never be able to privatise the risk or responsibility for consequences such as poor private sector maintenance, investment or safety practices and it ends up costing taxpayers more in the long term.

1.3.2 Foreign ownership

We do not believe it is in our long term interests for our energy industry to be owned by foreign interests. We lose control of an essential service. We cannot guarantee reliable supply, we lose control of the ability to control price and we cannot adequately plan our energy needs for the future as the development of and investment in the industry is out of our hands.

Privatisation policies in Victoria and South Australia has resulted in all electricity distribution networks and most generators are now being owned by entities controlled by foreign governments such as Singapore China.

Control over an essential service such as energy gives multinational corporations enormous social, political and economic power. Horizontal aggregation and vertical integration of the industry which has inevitably occurred post privatisation which simply

replaces public monopolies with private ones but creates a system where national governments lose control of pricing, supply, security and reliability. A few dominant private interest dictate what should be public energy policy.

We submit that privatisation of public energy infrastructure such as Snowy Mountain Hydro is directly against the economic and strategic interests of Australia and as such the Commission should make unequivocal a recommendation to government that these assets should remain in public infrastructure.

1.3.3 Government Dividends

Traditionally the dividends earned from government owned enterprises have been used as a source of revenue to support other government services. Once the asset is sold to private interests, that dividend is no longer available for use to moderate price increases or for distribution to support other government services.

In 2012-13 Snowy Mountain Hydro paid \$700 million¹ in dividends to its government shareholders, including the federal government. Obviously if this asset is privatised the government will cease to be a beneficiary, instead dividends will go to the private sector and/or benefit entities owned by foreign interests as has been the case following privatisation of energy assets in Victoria and South Australia.

Given the stated intention of the government with respect to ensuring the long term sustainability of the federal budget it makes no economic sense to privatise a profitable entity that is contributing hundreds of millions of dollars annual into government coffers.

2. Phase Two Matters

With regard to the Commission's role to identify savings or issues of sufficient import on the future sustainability or overall position of the federal budget, the ETU believes that it is vitally important that the following issues be taken into account.

2.1 Long term effects

Potential long term effects of Commission recommendations and subsequent actions and direction of government need to be carefully assessed and detailed as sometimes decisions that deliver short term gain, such as privatisation, will cost more in the long term and multiple other negative consequences be they social, environmental or economic.

¹ <http://www.snowyhydro.com.au/corporate/annual-reports/>

In an eerily similar process to the current federal COA, in 2012 the newly elected Queensland Government established a Commission of Audit to report on and make recommendations to improve the state's financial position². Since the establishment of the commission, then afterwards its subsequent final report and recommendations, the Queensland Government has:

- Sacked over 16,000 workers from the public sector;
- Opened up essential services such as health, education and transport to contestability; and
- Is considering selling essential service infrastructure for energy and water.

Queensland, we find that in the quasi-government energy sector alone since March 2012 there have been significant job cuts across energy government corporations of approximately 1500 staff with a majority being of a technical and operational nature.

It is not proposed to go into significant detail in this submission on the current and projected effects of pursuing such a policy agenda as there is a plethora of data on the public record, however, it is significant and relevant to note that the effects are the exact opposite to what was intended. Unemployment is higher than the national average and investment is down coupled with low market confidence in most key sectors (e.g. resources).

2.2 Renewable Energy Investment

In order to secure the long term economic and environmental viability and sustainability of the energy sector specifically, and the federal economy more broadly, the ETU believes that it is in Australia's interest to prudently invest further funding and resources into the renewable energy sector.

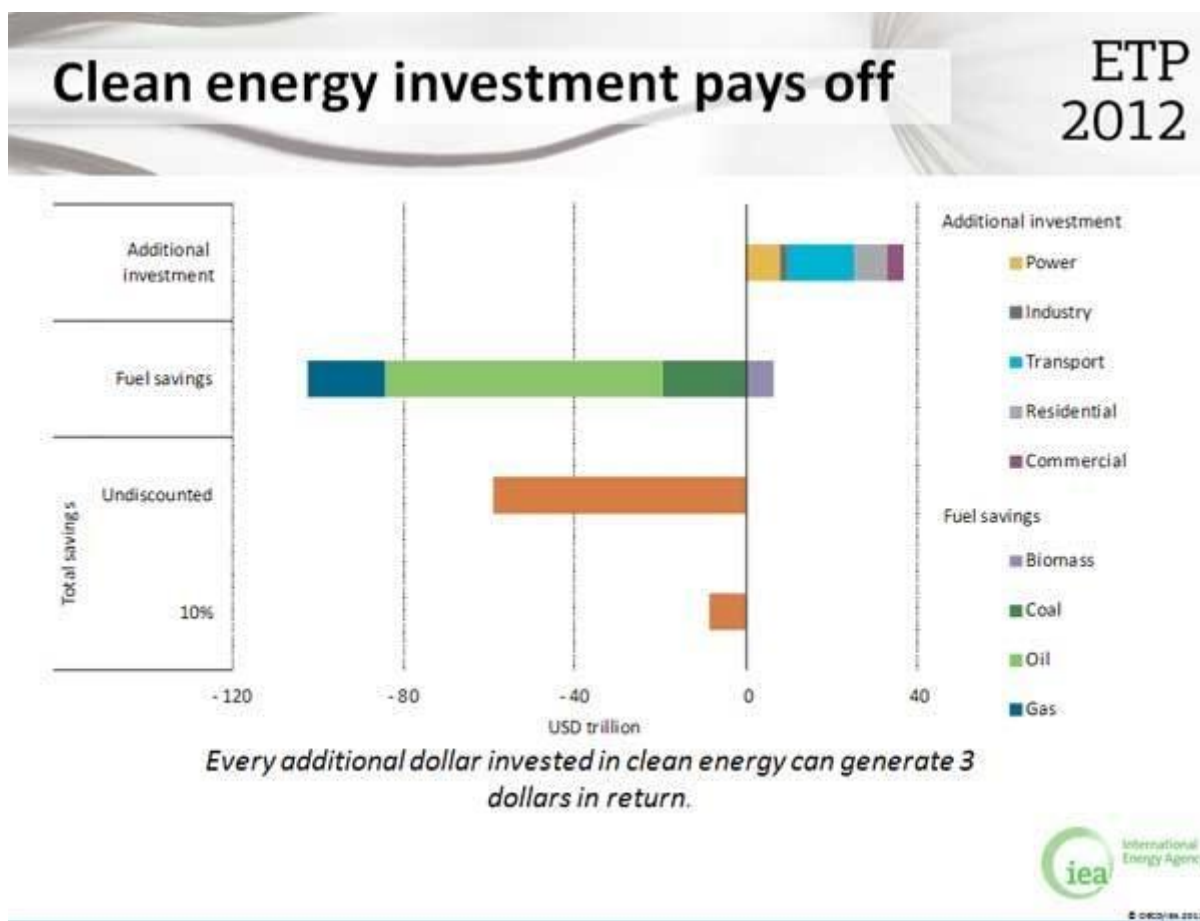
Renewable energy globally has been growing rapidly in the last decade, reflecting efforts to reduce carbon-dioxide emissions. Australia has access to abundant clean energy sources, solar in particular, and there are multiple benefits to establishing and supporting a world class renewable energy sector here in Australia.

For example, the use of small scale solar PV has increased dramatically in the past few years driven by increased availability and decreased cost of residential solar PV systems within the context of large increases to retail electricity costs over the same period. Between 2001 and 2009 in Australia, 86 000 solar panel systems were installed with a

² <http://www.commissionofaudit.qld.gov.au/terms-of-reference/index.php>

combined capacity of 123 megawatts³ and that figure has continued to rise over the last 4 years. Given Australia has abundant world class renewable energy resources and as such we should concentrate in becoming a world leader in clean, renewable energy.

Prudent investment in the renewable energy sector will deliver significant long term economic benefits to the federal budget and the national economy. The International Energy Agency in its recent report titled 'Energy Technology Perspectives 2014' found that a 300% rate of return for investment in renewable energy, with 3 dollars returned for every dollar invested.



Source: International Energy Agency 'Energy Technology Perspectives 2014'

We submit that Commission should makes recommendations to government should immediately increase investment in renewable technologies from current levels to ensure the long term sustainability of the national energy sector given its key role in the national economy.

³ Bureau of Resources and Energy Economics, *Energy in Australia 201*, p49.

3. Other Matters

In relation to the identification of other savings or matters that might be brought to the Government's attention the ETU submits that it is equally as important to identify avoidable and needless future expenditure as it is to reduce current expenditure to increase efficiency and provide for long term financial sustainability.

3.1 Avoidable Future Expenditure

In this regard it is recommended that the Commission makes recommendations to government about avoidable future expenditure, particularly costs associated with the establishment of new or returning bodies such as the Australian Building and Construction Commissioner (ABCC).

Having previously been in existence from 2005 to 2012 and the ABCC was officially abolished on 31 May 2012 whereupon a new independent regulator, Fair Work Building & Construction, commenced operation on 1 June 2012 after being created to take on, improve and extend many of the functions and aims of the ABCC. This recent reform process was undertaken at significant cost to the taxpayer and now, less than 18 months later, we find that due to the vagaries of partisan politics the newly elected government has signalled an intent to re-establish the ABCC⁴ at further cost to the taxpayer.

Re-establishment of this body has been met with apprehension from several quarters and has the potential drive a large increase in conflict and dispute numbers which will have a negative effect on productivity.

It is submitted that the Commission, given its remit to 'ensure taxpayers are receiving value-for-money from each dollar spent and eliminate wasteful spending', recommends to government an abandonment of plans to re-establish the ABCC on the grounds that it will needlessly incur significant expense on taxpayers and unwarranted given recent reforms.



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⁴ [http://www.afr.com/p/australia2-0/coalition to press restoration of 6z4mWhYf97YOi5XI06Be9J](http://www.afr.com/p/australia2-0/coalition%20to%20press%20restoration%20of%206z4mWhYf97YOi5XI06Be9J)