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Media release

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Consumers pay for power privatisation

Electricity privatisation has failed to deliver cheaper power to consumers and has not improved the sector's efficiency, a new analysis by The Australia Institute has found.

The analysis shows that since Victoria privatised power in the 1990s, electricity prices have outpaced inflation, increasing by 170 per cent compared with an increase of 60 per cent in the consumer price index.

The Australia Institute's Senior Research Fellow and report author Mr David Richardson said a productivity slump in the electricity sector has contributed to price hikes.

"Since June 1995, productivity in electricity, gas and water declined by 24.9 per cent. All other Australian industries saw an increase of 33.6 per cent," Mr Richardson said.

"The number of managers in the electricity sector has increased by a staggering 217 per cent since 1997. Yet, at the same time there was a much smaller increase in front line staff, with the number of technicians and trades workers increasing by just 28 per cent."

In 1997 there was one manager for every 13 workers. By 2012 there was one manager for every nine workers. Over the same period, the number of sales workers increased from 1,000 to 6,000.

"It seems remarkable that a sales force of 6,000 people is necessary to sell a product which everyone needs," Mr Richardson said.

"During the privatisation of Victoria's network a lot of promises were made that it would deliver lower prices and a more efficient industry, and former Premier Jeff Kennett continues to sing the praise of privatisation.

"While Premier O'Farrell and Peter Costello might believe a power sell-off is the answer to New South Wales' and Queensland's budget problems, it's unlikely to ease cost of living pressures and might even slug consumers with higher bills and worse service," Mr Richardson concluded.

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