

MEDIA RELEASE

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ELECTRICITY PRIVATISATION THE BEST WAY TO BRING DOWN PRICES, TRANSFORM INFRASTRUCTURE

The release today of a draft report by the Productivity Commission adds further weight to the compelling case for electricity network privatisation to apply downward pressure to electricity prices - and to provide the game changer that is needed to underpin a sustained increase in infrastructure investment, says [Infrastructure Partnerships Australia](http://www.infrastructure.org.au).

“The best thing Australia’s governments can do for taxpayers and consumers is sell their remaining electricity assets,” said IPA Chief Executive, Brendan Lyon.

“There is no logical reason for electricity networks in New South Wales, Queensland and Tasmania to remain under state ownership when they would be better owned and operated by the private sector.

“Australia’s governments have no capacity to fund new road, rail or health projects, without getting their budgets in order.

“Our calculations show that selling the inefficient and expensive public electricity assets would liberate more than \$100 billion that could immediately be brought to bear on the transport, health and community infrastructure projects that will make a real difference to consumers and taxpayers.

“This should not be a divisive issue, because the experience of competitive, private electricity markets in Victoria and South Australia has proved up the benefits.

“Since privatisation in 1997, Victoria’s electricity prices have risen at half the rate of New South Wales because of efficient operation and price competition to win customers.

“A 2011 Ernst & Young study found that network costs in Victoria decreased by nine per cent in real terms on a per customer basis between 1996 and 2010. Over the same period, per customer network costs in New South Wales and Queensland increased by 65 per cent and 105 per cent respectively.

“Over the next five years, New South Wales and Queensland network businesses are expected to spend up to three times the level of capital expenditure per customer compared with their Victorian counterparts.

“The privatisation of network businesses also represents the best opportunity we have to break the back of Australia’s broader infrastructure shortfalls.

“In states where networks remain publicly-owned, electricity investment consumes up to a quarter of total public infrastructure investment – money that would be better spent on ailing transport, hospitals and other social infrastructure.

“In New South Wales the sale of network assets would liberate up to \$45 billion in combined capital proceeds and avoided debt. This would give the cash-strapped Treasury the ability to fund the North West Rail Link, the WestConnex project and the Pacific Highway duplication – with change left over to replace ageing hospitals, schools and community infrastructure.

“The message is clear; at a time of historic infrastructure shortfalls we cannot afford for scarce capital to be allocated to areas where private capital is readily available, and where private ownership will deliver better outcomes for consumers.

“While these reforms are politically complex, the public will accept the case for a full privatisation of electricity if they can see that the proceeds and avoided debt will be used to fund new infrastructure.

“Australian policymakers need to make the right decisions, free of short-term political bias or ideological opposition. A consensus between the major parties on reforms in the national interest is long overdue.”

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