N.S.W. Power and the on/off Resources Boom

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The crisis that developed in the New South Wales electrical power system over 1980-82 was unmistakeable. But the reasons for it and its long term implications are less obvious. In this article we examine some of the symptoms of the crisis, their causes, and the political implications of the crisis itself.

SYMPTOMS

The crisis displayed its first public symptoms in May 1981. As freezing cold evenings pushed electricity demand up to near-record levels in both NSW and Victoria, supply faltered and restrictions and blackouts erupted in both states. In NSW, load shedding plunged suburbs of Sydney, Newcastle and Wollongong into darkness. At least for NSW it was no freak event. A few weeks later another surge of blackouts caused disruptions and losses. They were the first blackouts in 27 years in NSW due to a shortage of capacity, as opposed to industrial disputes.[1] But they were only the beginning.

By late November it was clear that major plant failures at the Liddell power station had again brought the state to the brink of serious power cuts. Generating units totalling 1.5GWe were already out of action and another was operating at low power. The state had no reserve capacity and was depending on Snowy Mountain hydro-electricity to maintain supply.[2] Two weeks later, on 4 December, the state Minister for Energy, Paul Landa, was forced to impose power restrictions, limiting the use of domestic appliances and domestic and commercial lighting and airconditioning.[3] The restrictions ran for two weeks.[4] The government blamed them on 800 maintenance workers who had taken strike action in protest against lack of progress in a $50 a week pay claim. The same explanation was given three months later, in March 1982, when the state plunged into a far more severe power crisis.

In the NSW Parliament, on 16 March 1982, Labor Premier Neville Wran savagely attacked the power workers, warning that unless their bans on over-time and other limitations were lifted immediately a four-day week would be instituted to conserve power. "...They have declared war on the community itself. The community should not bow to this blackmail", he declared.[5] The threat was implemented on the following Monday, with a system of 'double zoning' being introduced. It shut down one-fifth of the state's industry and curtailed domestic and commercial consumption, cutting out 10GWe or about 10 per cent of daily demand.[6] Work bans were lifted the next day and two days later double zoning ended.[7] Less severe power restrictions continued for over a month. But even when they ended Landa was quick to make clear that further restrictions and blackouts were likely to recur over the ensuing winter.[8]

What were the causes of the desperately strained state of the NSW power system? Various explanations were produced during the period of developing crisis. Undoubtedly the severe drought in NSW which cut back the Snowy Mountain power available to service peak demand, coupled with record peak demand (some 20 per cent higher than the previous year), was a contributor during May 1981.[9] So too were the maintenance bans in March 1982. But beyond these lurk more endemic problems. Although their symptoms are technical, their cause is political and economic, and they have long roots stretching right back to the 1950s.

THE HISTORICAL BACKGROUND

The Electricity Commission of New South Wales (ELCOM) was established by the NSW Labor Government in 1950. Its responsibility was to generate and provide bulk distribution of electricity for the state. Reticulation of electricity, however, was to remain in the hands of local bodies.[10]

Prior to the establishment of the Commission, the generation and distribution of electricity had been carried out by a variety of public authorities and private companies. The new Act integrated the generating and distribution activities of the public authorities into the Commission and gave it the power to acquire the private companies that had been engaged in electricity supply. In the following years the Electric Light and Power Supply Corporation Ltd. and the Parramatta and Granville Electricity Supply Co. Ltd. were absorbed.

At the time the Commission was established the state's electricity supply industry was in crisis. There had been blackouts and many of the rural areas of the state were without electricity. In addition, numerous tariffs existed in different parts of the state, reflecting the whims of the various public and private bodies involved in electricity generation and distribution. It was also a period of buoyant economic growth. Post-war industrialisation required guaranteed supplies of cheap electricity, whilst an increasing array of electric domestic appliances boosted domestic demand.

It was to resolve this crisis that the state government moved to establish a centralised public institution to coordinate and promote the use of electricity in the state. The move followed the establishment of similar bodies in other states - the State Electricity Commission of Victoria (1921), the State Electricity Commission of Queensland (1937), the Tasmanian Hydro-Electric Commission (1944), and the Electricity Trust of South Australia (1946).

In spite of the fact that in Victoria and South Australia these authorities had been set up by conservative governments, the establishment of the Commission provoked an outcry from the conservative opposition in NSW. The Electricity Commission Bill was claimed to embody "the socialist principle of control and State monopoly".[11] However the charge did not reflect a true ideological gap. As in the other states, private enterprise had shown little willingness or capacity to establish and coordinate the centralised electricity system. The enormous amounts of capital required for power stations and transmission lines, the high costs of maintaining an even tariff level across the state, and the perceived necessity to maintain cheap rates to encourage growth, were not attractive. There were more profitable investments elsewhere.

Indeed, it had been a state Liberal/Country Party Government which had made the first moves towards establishing a central electricity authority in NSW. In 1937 it had commissioned a report from a British firm of consulting engineers (Rundel, Palmer and Tritton). The report had outlined the following advantages of a centralised system:

(i) economies in regard to capital expenditure;

(ii) economies in regard to working costs (yielding reduced tariffs);

(iii) uniformity of tariffs to bulk supply customers;

(iv) regularity of supply and greater efficiency; and

(v) facilitated financing of future developments.[12]

In addition to these, technological developments in generation and transmission, economies of scale in generating units, and benefits from locating generation near fuel sources rather than population centres, all seemed to favour a centralised system.

THE COMMISSION AND THE GOVERNMENT

The Commission was established under the Electricity Commission Act (1950) with powers to generate its own sources of income through sales of electricity. For the NSW Government, the objective of the Commission was to "expedite a better electricity supply to the public".[13] The Commission was quick to interpret this as a carte blanche to pursue a policy of maximising the electricity supply to the state, turning to good advantage those sections of the Act which entitled it to not only meet demand but also to "promote and encourage" the use of electricity.[14]

Thus, although the Commission was constrained from maximising profit, it was able to pursue a strategy of maximising growth by providing low tariffs for large blocks of power. By utilising internal funds (depreciation allowances and retained surpluses), public borrowings, and government funds it was able to outlay vast sums of capital to expand transmission and generating facilities throughout the state. And by siting its new large power stations (such as Wangi, 1956-60; Vales Point, 1963-6; and Munmorah, 1967-9) on the coal-abundant regions of the central coast, it was able to attract industry to the power stations, simultaneously sharply cutting back fuel transport and transmission costs and allowing extremely low incentive tariffs to be offered.

This restructuring produced a steady decline in the real cost of delivered electricity in the 1950s and 1960s. However, it would be simplistic to attribute this purely to "economies of scale". The effects of the relocation, the greater fuel efficiency of modern power station technology, and increasing levels of productivity in the coal industry, all combined to produce the cost decline. In the period from 1953-4 to 1972-3 the real cost of fuel per unit of generated electricity for NSW power stations dropped by more than 80 per cent.[15]

The result was to produce clearly perceived benefits for industry, the community and government. The Commission had a high level of credibility and its plans and strategies were largely unchallenged. There was little interest in the fact that its high level of centralisation and rapid growth was producing a powerful institution answerable only to itself.

Although its Act specifies that full and accurate minutes must be submitted by the Commission to the Minister[16] and that its operations are "subject to direction and control of the minister"[17], in practice the Commission has operated independently from parliamentary and ministerial supervision almost from the outset.

The technical complexity of coordinating and developing an electricity supply industry on a large scale provides a powerful tendency for control of energy planning and the implementation of decisions to become the province of a small group of people. Styled by Saddler as "the energy establishment", this group is composed of a narrowly trained group of technical experts who are often ideologically close to private enterprise and have adopted an understanding of their role as being restricted to supply augmentation.[18] In the 1950s and 1960s, the apparent success of their policies of supply augmentation had left the energy establishment with a mantle of legitimacy as the natural controllers of electricity policy. When the strategy began to fail in the late 1970s there was practically nobody in NSW ready to challenge them.

In particular, the Wran Government had embraced electrical expansion as a cornerstone of its resource strategy. While the international recession was placing strong pressure on Australia's manufacturing industry, the nation's abundant and cheaply offered energy sources were becoming more attractive to those transnational corporations with energy-intensive stages in their production processes. In the late 1970s, in the absence of any Federal coordination, all the state governments were played off against each other by these corporations and were obliged to offer bargain-basement electricity prices and infrastructure deals. With an estimated 43 per cent of Australia's economically recoverable black coal reserves, and an apparently well developed infrastructure,[19] NSW seemed well placed to cater for all takers in the new rush for energy.

The Wran government publicised its resource availability internationally and encouraged corporations with energy-intensive projects to exploit the state's resources.[20] A key target was aluminium production, all stages of which are vertically integrated and largely under the control of six transnational corporations (Alcoa, Reynolds, Kaiser, Alcan, Pechiney, and Alusuisse). These corporations are able to reorganise their productive activities, clustering appropriate phases on a world-wide basis.[21] In particular, they were seeking to establish their smelting operations in regions where energy is plentifully available. By the end of the 1970s it seemed that NSW had achieved the lion's share of the likely prospects.[22] The existing smelter at Kurri Kurri was to be expanded and two others were to be established at Lochinvar and Tomago. Smelter capacity was to increase from 68 kt/a to 591 kt/a by 1985 at a capital cost of more than $1.5 billion.[23] It was taken for granted that the electricity supply could be expanded to match this increased demand.

By mid-1981, in a programme whose scale the then energy minister Pat Hills said was matched "nowhere else in the world except perhaps in France",[24] NSW's base load electricity expansion was to expand between 1980 and 1990 by 121 per cent from 5880 MWe to 12980 MWe.[25] Of this, 28 per cent of the added plant to 1985 would be taken up by the new smelters.[26]

It was merely fortuitous that the international recession in the aluminium industry intervened to dramatically dampen the expansion plans, with the down-grading of the Kurri Kurri expansion and the dropping of the Lochinvar smelter (the largest) after the withdrawal of Alumax from the consortium.[27] The problems that have arisen even with these projects in abeyance serve to illustrate the degree to which the institutional structure of electricity production and the ideology of electrical expansion, shared by all the major political parties in the state, have obscured a range of technical and economic factors which are critical for any rapid electricity expansion plans.

TECHNICAL FACTORS

It is now clear that behind the opaque veil surrounding the operations of the Commission, technical problems had been mounting since the middle of the 1970s. Documents leaked from the Commission reveal that the Commission has been under great strain in its efforts to support the rapid expansion of the system.[28] Thus, in 1976 internal documents record that "even with a 6% energy growth, a substantial effort would be required to achieve the necessary production ... on the basis of present performance."[29] Some of the more important of the reasons include the following:

(i) Maintenance. Since 1976, maintenance on the generating systems was progressively deferred. The usual reason given is that in order to provide power the Commission had overdrawn its Snowy Mountain hydro-electricity entitlement, and required all plants to be operating to "ensure sufficient reserve". Thus, for example, although various technical explanations have been given for the failures at Liddell,

it is quite clear that the Commission was unwilling to carry out the maintenance procedures which are routinely applied to the same type of generators overseas (periodic inspection of the end windings) and which could have prevented the failures. In his report on the failures at Liddell, the NSW Ombudsman is not prepared to specify what the maintenance schedule should have been. But he concludes that ELCOM's refusal to commit itself to a specific inspection programme constituted "wrong conduct within the meaning of that term in the Ombudsman Act."[30] The strain that the power system was operating under is indicated by the fact that one of the key reasons given by ELCOM for failing to carry out this maintenance procedure was that the Commission was not prepared to accept the loss in power generation that it would have entailed.[31]

(ii) Unsuitable boilers. Boiler erosion and boiler tube leaks have plagued NSW base-load power plants. Thus, in 1975, internal documents note the "high incidence of erosion failures".[32] The boilers were purchased overseas but are not designed to burn low-grade NSW coals. In the case of Vales Point, the problem has been greatly aggravated by the failure to develop new coal mines in the late 1970s to support the new 660 MWe units at Vales Point B. Consistent coal shortages have been experienced and in 1980 the Assistant Chief Engineer/Power Generation issued a graph predicting coal shortfalls for the next five years.[33] At the beginning of 1982 it was reported that the Vales Point boilers were being fed coal scraped off the ground.[34] Illustrating the obsessive secrecy that has developed in the Commission, despite continual internal evidence of this serious problem for seven years, the first public acknowledgement of it by the Commission was not until mid-1981.[35]

(iii) Shortages of trained engineers. As early as 1976 attention was drawn to the serious shortage of trained engineers available to service power generating systems coming on line.[36] In 1977, internal documents conclude that "the effects on maintenance, maintenance supervision, and operation training are becoming cumulative and could result in serious loss of output due to plant condition".[37]

(iv) Scale. As has been noted elsewhere,[38] the Commission has maintained its growth programme on the basis of increasingly larger plant. In the 1950s the largest steam generator added to the NSW system was 60 MWe (Wallerawang). In the 1960s, the size of the largest plant increased 500 per cent to 350 MWe (Munmorah). But in the last ten years no plant added has been less than 500 MWe, and the largest two (Vales Point A and B), added in 1978-9, have been massive 660 MWe units.[39] Accordingly, 53 per cent of NSW's power is now produced from its three largest plants. The so-called "Cardinal Rule" for operating an electricity system is that there should be sufficient reserve capacity available to allow the gap caused by the failure of the largest unit to be plugged by switching on a reserve generator. Some of the evidence to the Ombudsman's inquiry suggests that, with the size of the units and the pressure that the Commission was under to meet demand, the Commission was unable to meet this requirement.[40]

Three observations may be made on the basis of these examples. First, the Commission has recently faced serious technical problems in meeting electricity demand. Second, the details have been kept completely secret from the public and have only been prised out by means of leaked documents and a public inquiry. Third, despite the Commission's apparent self-assurance, some doubt is cast on its ability to meet the rapid growth of capacity entailed in the ambitious plans put forward by the Wran Government for electricity expansion in the 1980s.

The above observations suggest that there are dangers inherent in relying on a technical bureaucracy to make and implement energy policy without any stringent procedures in place to ensure accountability to the community. This conclusion is reinforced by examining another feature of the electricity crisis which surfaced so sharply in NSW in 1980-82. It is the degree to which the Wran government has been prepared to treat electricity expansion, at whatever rate, as a purely technical problem which once formulated can be handed to the Commission for implementation. It is probably true that this attitude has been encouraged by the Commission, both through its inbuilt tendency towards supply-maximising policies and through the natural desire of a technical elite to maintain full control over what it conceives to be its professional territory. But the Government's willingness to accept the Commission's position and to adopt a similar attitude has acted to produce a situation where there is practically no recognition of the serious non-technical effects that would result from its electrical expansion programme. Central amongst these problems have been those associated with its financing.

ECONOMIC FACTORS

The economic challenge of the accelerated capital works programme underpinning the expansion of the power industry is to raise the necessary capital and to raise sufficient revenues to recover the capital outlay. Between 1976 and 1981 the Wran government capital expenditure through the Commission alone amounted to some $1.4 billion.[41] Far more would have been needed had the resources boom strategy succeeded and had the ambitious programme for the 1980s gone ahead at its planned rate of development. Even with the collapse of the resources boom and the curtailment of public sector expenditure, capital works expenditure in 1982-3 is expected to reach $880.4 million, an increase of 22.2 per cent on the previous year.[42]

To finance the expansion of the power industry, the Commission traditionally raises capital in two ways: by utilising internal funds and through public borrowings. The problem with both these sources is that they cannot provide sufficient capital to finance a programme of large scale. Internal funds come from retained surpluses and depreciation allowances for fixed assets. But accumulating much in this area runs counter to the Commission's long standing policy of maximising consumption.

Consumption is maximised by pursuing pricing policies based on low tariffs, with large industrial users the main beneficiaries. The very large energy-intensive industries which are lured by these tariffs to NSW are subsidised by the price that they pay for electricity. But, at the same time, the policy minimises the return of revenue to the Commission, restricting its ability to finance the expansion programme. In addition, the

government discourages public enterprises from accumulating embarassingly high profits, and thus the development of the necessary large operating surpluses is effectively prohibited.

Public borrowings have frequently been equally restricted by a confused series of Commonwealth Government decisions. In 1978, the Commonwealth government reorganised loan procedures by inviting the states to seek Loan Council approval to borrow overseas for new coal-based electricity projects if insufficient domestic funds were available. New South Wales was quick to take advantage of this decision, seeking approval to borrow $774 million (1980) for the Eraring and Bayswater power stations.[43] Much of the capital to finance the accelerated capital works programme was expected to come from this source. However, in 1981, the Commonwealth reversed its decision and offshore borrowing ceased to be an option for resource based projects. At the same time, the domestic capital market was squeezed by demands for capital from private enterprises to finance their resource projects. Private investors voiced opposition to statutory authorities borrowing heavily for public projects, despite the fact that the success of the resources boom depended heavily on the public infrastructure programmes being completed in short order. In June 1982 the Commonwealth government added further confusion to the funding process with another policy somersault. Electricity authorities were now given greater autonomy in raising loans and state governments were permitted to negotiate the loan rates and conditions.[44]

During 1980-82, shortages of capital combined with increasing operating costs and high interest rates to squeeze the Commission's cash flow at the very time that it was expected to outlay funds for its capital works programme. This forced it to borrow a further $100 million on the short-term money market to pay immediate debts. The extent of the Commission's financial crisis became evident when the NSW Government announced that the new Eraring power station would be financed by a consortium of private companies. The expansion of the power industry was to be financed by the unprecedented means of leverage leasing.

The private financing scheme was attractive to the companies since it gave them the opportunity of using leverage leasing to invest in a non-tax paying statutory authority and rendered them eligible for lucrative investment and depreciation allowances.[47] It was attractive to the NSW government because it enabled it to solve part of its fiscal crisis by shifting the burden onto the Commonwealth taxpayer, since the consortium would not have to pay tax on its earnings from Eraring. Not suprisingly, the Commonwealth Government was quick to move in and prevent other states from following the same course.

Confidential documents relating to the mortgaging of the Eraring station show that the Commission's funding problems would not be solved by the Eraring financing deal. Although receiving $1.653 billion from the sale, the Commission still had to raise a further $1.487 billion over 1982-5 with capital outlays and debt maturities both increasing over this period.[48] In addition, the technical breakdowns forced the Commission to purchase expensive emergency gas-turbine generators from the USA and West Germany in a short-term attempt to reduce their generating problems. The total cost of these generators added another $150 million to its financial problems.[49]

It could be argued that the heavy outlays required by the accelerated programme could be justified by future returns in the late 1980s. However this argument fails to recognise the fatal disruptive element in the investment strategy: the uncertainty of demand and of the implementation of supply. The resources strategy in NSW has been dependent both on the availability of large-scale block power consumers, and the ability to service them. But this strategy has come unstuck.

The deepening of the international economic recession, the slump in the aluminium market,[50] and the recovery in the oil market, has combined with the technical inadequacies of the Commission's power programme to create enormous uncertainty in the demand forecasts on which the strategy is based.

But the long lead times involved in the construction of large-scale electricity generation plants structurally entrench the power station construction programme and tend to give it a momentum of its own. While transnationals with highly energy-intensive production processes (such as the aluminium corporations) are large enough to rearrange their production processes on a global scale, commencing or deferring development plans in particular countries at short notice, the electricity authorities which are increasingly dependent on these plans are by comparison much smaller and have far less room to manouvre. In the face of the rapid drop in projected demand current in 1982, Elcom was forced to try to adjust its capacity growth downward. Three power stations were under construction - Eraring (four 660 MWe units), Bayswater (four 660 MWe units), and Mount Piper (two 660 MWe units). Elcom's decision was that while Eraring and Bayswater Unit One would go ahead as planned, the other Bayswater Units would be deferred by three, six and nine months respectively, and Mount Piper would be deferred by eighteen months.

It is unclear whether these deferments will adjust the growth of capacity downwards sufficiently. In any case, they must add to the cost of the programme. As its 1982 draft Annual Report makes clear, the Commission finds its ability to adjust its programme severely constricted. Major capital works cannot be interrupted without cost. As Elcom notes, it is faced with the competing requirements of :

> *"The need to defer capital expenditure as much as possible and with the need to avoid heavy cost penalties arising from changing the programmes in the existing contracts".*[51]

The problems of adjustment were further illustrated by the implementation of the Government's electricity conservation programme as the Commission was straining to meet demand in 1982. This was problematical since a decreased electricity consumption would decrease income to the Commission at a time when the expansion programme remained to be financed. Accordingly, the Commission adopted a new tariff system which, amongst other price rises, increased the bulk distribution tariff by more than 50 percent.[52] As the Elcom draft Annual Report makes clear:

> *"The main factors contributing to the large increases in demand tariff were: The largest increases ever faced in the history of the Commission in the financial charges associated with its capital works programme. These were due to the highest interest rates on record and higher levels of borrowings..."*[53]

The effects of the political reaction to the rapid price increases in electricity has placed the Wran Government in a bind. It has been forced to prevent Councils both from retrospectively billing consumers to cover the costs of meeting the new rate, and from mounting a new campaign to encourage consumers to use more electricity.

Despite deferrals, it seems that the long lead times in power station construction, the ideological predelictions of the Wran government, and the ambitions of Elcom management are likely to leave the state committed to its power expansion programme. To the extent that this is so, the on/off resources boom has raised the possibility of increasingly serious economic problems for the Commission, and the state, later in the decade.

It is most likely that if the recession persists at anything like present levels, the 1980s will be marked by excess power capacity. In the post-war period the costs of overestimating demand were not great. Industrialisation, income growth and increasing population quickly absorbed the excess capacity. But during a recession, the costs are likely to be much more severe, particularly as the repayment of debts and operating expenditures increase steadily. As is demonstrated by its deferral decisions, the Electricity Commission itself has now begun to realise the high costs of under-utilisation of its electricity system in the late 1980s.

The result of the Commission's economic problems is to put increasing pressure on state finances. In 1981 the NSW government spent an estimated $490 million on a new generating plant compared with only $291 million in 1980.[54] This represented an increase of more than 50 percent on the previous year. In 1982, the power industry accounted for almost 25 percent of the New South Wales capital works budget, compared with only 10 percent in 1971-2.[55]

While public investment in NSW has been concentrated heavily on the provision of energy-related infrastructure, this has been accompanied by severe budgetary restrictions on social infrastructure. Health, education, and social welfare have all suffered. In choosing to follow this strategy of cutting back the social wage in order to finance a hoped-for but ever-receding economic recovery, the NSW government is following the line endorsed by the OECD and followed by many other states and countries in the capitalist world.[56] But not only has this strategy produced both a technical and economic crisis for the Commission, it also has the potential to produce, for the government, a political crisis.

POLITICAL FACTORS

The resource strategy of the Wran government has been to achieve economic recovery by placing disproportionately heavy public investment into large electricity consuming projects. Until recently, that strategy has met little resistance. This has been so for several reasons:

(i) The declining price of electricity and the growth in demand for consumer goods in the 1950s and 1960s has given such a strategy a great deal of legitimacy. Conventional wisdom has been that both the strategy, and the Commission which is to implement it, can be trusted to produce the goods.

(ii) The Commission has become an independent power in which control and information is almost completely centralised. As a result, there is little public evidence of the problems that would accompany the programme's implementation.

(iii) In relation to resource-based projects the Wran government, in conjunction with the NSW Labor Council, has adopted a corporatist strategy in which tripartite cooperation between the government, large corporations and trade unions is being forged.[57] To the extent that this corporatism develops criticism, from the labour movement is dampened.

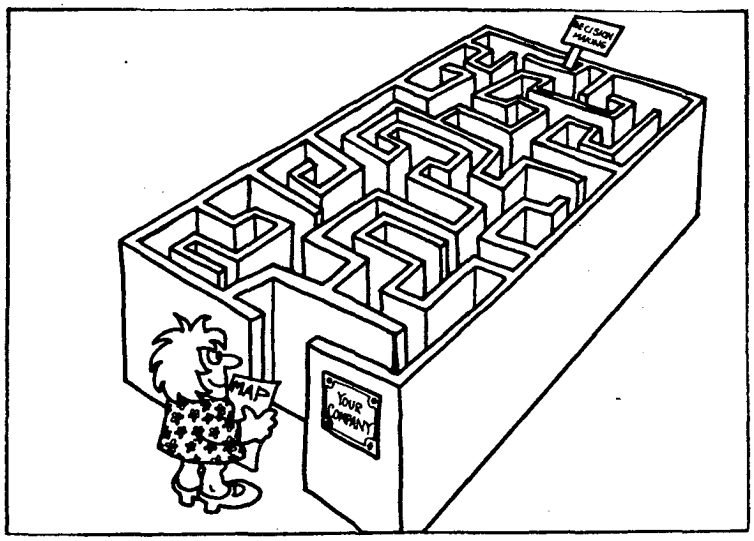
Despite these three factors, criticism has begun to mount from the beginning of the 1980s. The first real opposition has been generated in the regions where the plans place the major resource projects. The most vigorous has occurred in the Hunter Valley, where opposition to the proposed aluminium smelters has arisen amongst environmentalists, local vignerons, and sections of the trade union movement within the region. The vignerons and environmentalists have been primarily concerned, first with the pollution that would accompany the developments, and later with the social dislocation that would be caused by the fluctuating populations associated with various stages of the programme. In Mussellbrook and Singleton, for example, the populations were expected to rise from 12,520 to 21,920 and from 15,380 to 27,350 respectively by 1986.[58] By mid-1981 there were some thirty organisations actively participating in the Hunter Regional Community Forum, an umbrella organisation set up by opponents of the development programme.

The Newcastle Trades Hall Council has assisted the opposition both through its moral support and through its questioning of the wisdom of funnelling such enormous amounts of capital into capital-intensive industry, when investment in other sectors could create more employment.[59] Although there is no real difference between the resource strategies of the government and the opposition Liberal-Country Party (except for the latter's increasing support for nuclear power),[60] public pressure began to build during the 1981 pre-election period, as it became clear that the aluminium smelters would be subsidised by the NSW tax-payer.[61]

However, it was in 1982, after the NSW election, that the full extent of the technical problems associated with electrical expansion in the state began to attract significant public concern. The Wran government's strategy during the 1981 power cuts was to paint them as a freak occurrence, caused by a "combination of unrelated circumstances".[62] However, not everyone was satisfied. As the Australian Financial Review put it, "no one who has observed the way in which decisions are made... can be satisifed that the generating authorities really know what they are doing".[63]

Later in 1982, when the threat of blackouts resurged more strongly, the NSW government again attempted to keep the lid on the issue by blaming the striking maintenance workers. However, this tactic could not be effective indefinitely. Wran's first move was to replace Pat Hills with Paul Landa as Minister for Energy. By the opening of the Drummoyne by-election in late March 1982, Wran felt obliged to promise a shake-up of the Commission itself. His initial solution was to seek "a top flight person to be chairman of the Commission".[64] Then, on 7 April 1982, the government announced that the membership of the Commission was to be restructured and a part-time Chairman

and a full-time General Manager were to be appointed. As well, one of the new Commissioners would be elected by the employees.[65] However, these changes are unlikely to be enough to rectify the deep structural problems that have led to the enduring crisis in the NSW power system. These problems are now increasingly obvious. What is not so obvious is their implications for socialist strategy.



THE SOCIALIST RESPONSE

Under capitalism, the broad role of the public sector is to maintain the conditions under which private capital can be efficiently accumulated. This is assisted by capital subsidies, one of which appears in the form of the provision of cheap electricity. Electricity supply maximisation is the general strategy under which cheap power is made available for large-scale, energy-intensive corporations. In NSW it is an objective built into the Act and continues to be vigorously pursued by the NSW government.

Nationally, the competition to provide cheap power and lure corporations to the states has intensified the divisions within the Federal system. In the absence of any coordinated implementation of a national energy policy this has acted to further fragment the Australian nation-state and to weaken its ability to confront the demands of transnational corporations.[66]

The role of electricity supply goes beyond the satisfying of corporate needs. As well, it provides a desirable and widely accepted commodity for domestic and rural consumption. This has historically made the vast apparatus of the Electricity Commissions seem desirable and legitimate to the community. However, as the role of these Commissions is more overtly turned to powering vast capital and energy-intensive projects, the legitimacy of the supply maximisation strategies followed by the Commissions is steadily weakened. It is in such situations that the possibility of effective socialist intervention is strengthened.

Social-democratic governments open up an important area for intervention because it is here that the contrast between the justification for policy and the actual results is often most striking. In the case of NSW, the Wran government has been a particularly astute actor in the competition between the states, using public funds to attract capital-intensive projects. Nevertheless, its strategy has produced a crisis. Although the government has blamed the wine growers, environmentalists and trade unions for the deferral of smelters in the Hunter, it is becoming increasingly evident that the flaw is in the basic strategy which has locked the state's development plans into a highly unstable international market.

For socialists, it is essential to develop a counter strategy. This must begin with the conception of the power industry as a public utility whose actions should be guided, not by the crude requirement of supply maximisation, but instead by a broad range of social objectives (one of which should be the extension of community control over energy policy). The need for such a counter strategy arises at a time when the concept of public ownership of the power industry is under serious attack. Significantly, this attack is most advanced in NSW, under the auspices of a social-democratic government. At this time the principle of public ownership needs strong support by socialists. But it would be wrong to shirk from the task of placing the existing practice of public ownership in Australia under critical scrutiny.

On the one hand, the popular myth that publicly owned utilities are "inefficient" needs to be dissected. The case of the power industry illustrates the fallacy of comparing a non-profit-making public enterprise with profit-seeking corporations. What is required is not the "efficiency" that would be obtained by selling Eraring to private enterprise but the 'efficiency' obtained from the development of processes that ensure that the industry meets long-term public needs. In particular it is important to reshape the concept of "efficiency" to include the meeting of socially valuable goals such as:

(i) Changing the structure of power management to provide demand management (encouraging energy conservation by various techniques including different electricity tariff policies) rather than supply maximisation.

(ii) Decentralising power station location within the constraints of water and fuel availability; establishing units that minimise environmental problems, spread environmental impact more equitably across the community, and minimise the conjestion of particular regions.

(iii) Building into planning practice the desirability of developing national strategies to minimise competition and maximise cooperation between states. This is no easy task, as was demonstrated by the victory of parochial state interests during the recent Zeidler inquiry into the South-East electricity grid. Nevertheless, it is a goal that can be worked towards, especially in the Labor states.

Neither these, nor other objectives can be met unless the power of the technostructure, sharply discernable within the NSW Electricity Commission, is broken. The prerequisite for any true socialisation of the power industry is to "get the lid off." That is, energy policy and practice must be opened up for debate and all the relevant information must be made available to the community.

The need for such action is particularly clear in NSW. Even in comparison to Victoria, the Commission's procedures are particularly inaccessible. In Victoria, since 1958, large projects such as power stations have come under the eye of the Parliamentary Public Works Committee. Review procedures by this committee give considerable room for public examination of the projects and make a great deal of detail publicly accessible. In addition, labour movement intervention in the construction of the Newport power station has increased public awareness and concern over state energy policy. This gained considerable legitimacy when, in 1977, the Matheson Inquiry overturned SEC plans and cut the Newport station back to half its original proposed capacity.[67] While it cannot be said that the result has been to produce an open electricity Commission, the Commission has been forced to reveal more about its operations than in NSW, and has been forced to attempt to justify its plans (for example for the Driffield power station) to the general public. By comparison, in NSW the Wran government managed until mid-1982 to keep the lid on far more firmly. Its success up to that time was demonstrated by the extremely bland environmental impact statements for the Bayswater and Eraring power stations. However, with the increased politicisation of the issue, the government has now begun to initiate minor reforms, of which the most significant to-date concerns the detail Elcom has been forced to provide in its latest annual report. But this reform is merely a signpost pointing to an important direction in which socialists could attempt to press. It is clear that in relation to Elcom and similar public authorities, one key area should be that of review procedures.

The present procedures for Elcom projects were introduced in 1979. Prior to that, power stations in NSW were covered by the regulations concerning "Principles and Procedures for Environmental Impact Assessment", primarily administered by the State Pollution Control Commission. No statutory powers were made available to deal with development proposals. The evaluation of such proposals was restricted to physical effects and even if detrimental physical consequences could be established the development could still proceed if "pertinent social and economic factors"[68] were considered to outweigh the physical effects. Since 1979, the development proposals have been assessed by the Department of Environment and Planning under the Environmental Planning Assessment Act. However, although it is wider in scope, taking account of economic and social as well as physical effects, the first major test cases for power stations, the Bayswater and Mount Piper Environmental Impact Statements, both show scant regard for the crucial social and economic impact of the government's rapid power expansion programme.[69]

The reform of impact assessment procedures is an important objective in opening up the Commission to public scrutiny. But by itself it is <u>far</u> from sufficient. In addition, it is necessary to gain greater community participation in forming energy policy. Crucially important in this is the role of the power workers themselves.

The Commission is structured internally along the same hierachical principles as private enterprise. Management is centralised and separated from the workforce by lengthy chains of command. Its organisational structure stands in strong contrast to the democratised structure which would be aimed for within a socialist strategy, in which key powers would be granted to elected worker committees to plan the development of the power industry.

However, despite the rigidity of the present structure there are trends within the Commission which could provide the seeds for the transition to a more democratic and socially responsive organisation.

In particular, there is a long tradition of rank-and-file organisation within the labour force. This has been expressed through the Electricity Commission Combined Union Delegates Organisation (ECCUDO). Historically, it has stressed the need for the power industry to serve the public and to allow greater workforce involvement in the running of the Commission.[70] In addition, it has recognised the need to develop policy for the energy sector as a whole and has argued for the development of energy sector - wide industry unions. Further, particularly in the 1970s, it involved itself in matters concerning full employment, automation, and safety, as well as taking a stand in opposition to nuclear power. ECCUDO declined in the late 1970s. Nevertheless, in the elections for the first worker elected member of the restructured Electricity Commission, the ECCUDO candidate, Mick Pollack was elected. This is a hopeful sign, demonstrating the continuing support within the Commission's workforce for this inter-union committee and suggesting that it has a real potential to revive as a significant force in the 1980s.

In the past the remarkably broad perspective of ECCUDO has been largely submerged under the weight of the Wran government's tactics. In particular, the Wran government has consistently worked with the NSW Labor Council to settle threatening disputes, effectively containing any radical reassessment of the structure of the Commission. Thus, in marked contrast to Victoria, where power industry trade unions have become increasingly active in questioning the structure and functioning of the industry in which they are employed, the 1970s have seen a decline in the visibility of the labour movement in developing policies for the NSW power industry. For socialists, the task of opening up the electricity industry and democratising it will require a confrontation with the labour tactics of the Wran government. This may be a difficult task. Nevertheless, as the Wran government's resource and power strategy slips more visibly into crisis the possibility emerges of accomplishing this task by forging a new powerful combination of the increasingly active concern within the community, and the latent strength of the power industry workers themselves.

FOOTNOTES

The authors would like to acknowledge the assistance of Don Fowler in the provision of some of the material on the technical problems within Elcom, cited in the notes.

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