



Power Play *the hidden costs of deregulating and privatising power*

Sharon Beder

Auckland-Wellington Tour 8-10 October

Noted author Dr Sharon Beder argues persuasively that the track record of electricity privatisation and deregulation around the world indicates that it is a confidence trick, undertaken to swindle the public out of rightful control over an essential public service — a trick conceived and perpetrated by vested interests who seek to gain from private control.

New- Zealand-born Sharon Beder is Professor of the Science, Technology and Society Program at the University of Wollongong. She was the author of many journal and magazine articles, and several books, including *The Nature of Sustainable Development*, *Global Spin*, and *Selling the Work Ethic* (all published by Scribe). She lives near Wollongong.

Global Spin is outstanding. Sharon Beder has taken the taboo subjects of propaganda and censorship in free societies and exposed their insidious threat. This is such an important book..." *John Pilger*

**Sharon will be visiting Auckland Wednesday 8th October
and Wellington Friday 10th October and is available for
interview**

**To book interviews & request review copies and any questions please
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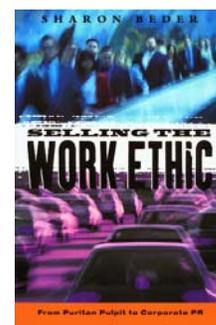
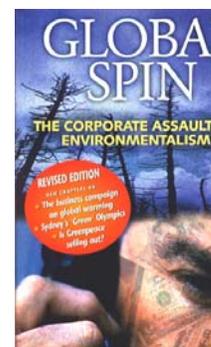
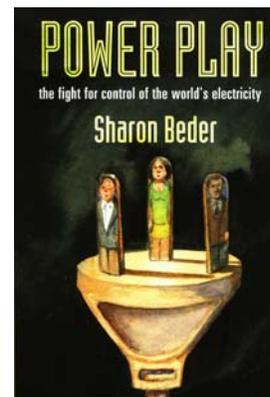
"This is a unique and comprehensive account of the crucial struggle for control over power and electricity, ranging from the United States before 1914, the role of the International Monetary Fund in opposing public ownership, to the shocking practices and consequences of Enron in India and privatization in Brazil during the past decade. Sharon Beder writes with verve and elucidates the arcane aspects of this fundamental and very basic dimension of modern industrial society. At the same time, her research is impeccable.

For a general and comprehensible account of the struggle for control of electrical power, there is no equal to Beder's *Power Play*. This is an important and readable book."

-- Gabriel Kolko, Distinguished Research Professor Emeritus at York University, Toronto and author of *Vietnam: Anatomy of War and Century of War*.

Scribe Publications C-format paperback 336pp \$39.95
ISBN 0 908011 97 0

Distributed by Addenda Ltd in NZ, PO Box 78224 Grey Lynn Auckland,
Ph. (09) 836 7471 Fax (09) 836 7401



Reviews

Los Angeles Times August 25, 2003 Monday

BOOK REVIEW; Bringing flaws of electricity deregulation to flight; Power Play: The Fight to Control the World's Electricity; Sharon Beder;

If you've ever suspected that most, if not all, of the deregulation that has been going on in the last few decades is a con job, Sharon Beder's eye-opening "Power Play" will more than confirm your suspicions. If you have put your faith in mantras like "deregulation," "privatization" and "the marketplace," Beder's account of the campaign to control the world's electricity may open your eyes or, at the very least, make you think twice about the gap between rosy promises and blackout-filled realities.

The story Beder tells couldn't be timelier, particularly for Californians. A chapter is devoted exclusively to deregulation in California and is followed by two chapters on the rise and fall of Enron. Not only does she provide a clear explanation of what she believes led to the state's infamous power crisis of January 2001, but she also describes a group called "the American Taxpayers Alliance, headed by a Republican campaign manager and with secret funding sources, said to be energy interests ... [that] spent some \$2 million on television commercials blaming [Gov. Gray] Davis for the crisis."

Who was to blame? In Beder's considered opinion, the deregulation of the energy market, not only in California but all over the world, has led to the very conditions that regulations were designed to prevent: private power companies manipulating the supply of energy, causing artificial shortages, driving up prices.

The author of "Global Spin," "Selling the Work Ethic" and other books, Beder also examines what has been going on in Australia, Britain, India and Brazil, where, she concludes, privatization of public utilities has led to less reliable service, higher costs, increased pollution and cuts in the workforce.

Beder explains why the currently hallowed nostrums of market forces, competition and choice mean little when it comes to electricity, as distinct from products like automobiles, clothing, books or films. With electricity, there is "a physical need for supply and demand to be balanced at all times to prevent the electricity grid from being damaged. This means that supply and demand cannot be left automatically to the market...."

As for competition, Americans were already discovering in the latter part of the 19th century that what began as competition often ended in monopoly. By the early 20th century, publicly owned municipal utilities were a notable feature of American life, offering lower rates to customers and bringing revenue into the public coffers. In 1933, President Roosevelt established the Tennessee Valley Authority, building large-scale hydroelectric facilities to take electricity to rural areas.

A second viable route, favored by some shrewd power moguls, was to regulate private utilities, not only to prevent them from gouging the public but also to protect them from cutthroat competition that might force them to sacrifice safety to expediency.

Too often, Beder explains, the need to make short-term profits led private companies to delay or abandon expensive but necessary long-term projects like building new generators.

If publicly owned utilities have been such a boon, why a campaign to privatize? If regulation of private utilities has been an American success story, why a campaign to deregulate? And if privatization and deregulation have led to higher prices, shortages, pollution, layoffs and disregard for safety, why do so few members of the victimized public seem to be aware of the problem? This twofold question is at the heart of Beder's book.

What caused the change in public opinion that brought on this deregulatory revolution? From the start, in the last years of the 19th century, private companies fought to wrest control of electricity from municipal companies.

They organized a campaign to portray municipal companies as "socialistic," hence "Communitistic," hence "un-American." This was a campaign of enormous scope, subtlety and sophistication, as Beder shows.

From 1928 to 1934, the Federal Trade Commission investigated the power companies' propaganda campaign and concluded that "no campaign approaching it in magnitude had ever been conducted except possibly by governments in wartime."

Along with the standard tactic of lobbying politicians, the energy industry launched a huge grass-roots campaign. Leaflets extolling the virtues of privately owned companies were churned out by the hundreds of thousands and distributed to schools.

Power companies regularly bought millions of dollars worth of advertising space in newspapers, not just to get their message across to the public but also to be able to threaten to pull their advertising if a newspaper endorsed public programs or criticized private ones.

The National Electric Light Assn., formed in 1885, had committees surveying school textbooks, targeting those that mentioned successful examples of public ownership. They also commissioned textbooks, which, naturally, sang the praises of private ownership.

Beder tells us how power companies got into the business of funding professorships and research at universities to promote the kind of thinking that favored their cause.

They also found ways of inserting their spokespersons into a broad spectrum of civic and social life.

Lucidly written, strongly argued, highly informative and deeply alarming, "Power Play" should serve as a wake-up call -- unless we've been too thoroughly brainwashed to smell the coffee.

Sydney Morning Herald

The electricity market has the power, and a profit to make

August 1 2003

The private companies in control have an investment in undersupply, writes Sharon Beder.

There was a time when predictions of electricity blackouts would be a political nightmare for a government. The reason NSW faces blackouts and electricity shortages, and the reason that the Carr Government can greet such predictions with equanimity, is that responsibility for electricity planning in Australia has been turned over to the market.

Planning, long-term forecasting of demand and upgrading infrastructure used to be an essential part of providing a reliable public electricity service. The need for long-term planning and co-ordination, and the unwillingness of private companies to take on the risks associated with constructing capital-intensive electricity infrastructure were major reasons why governments took control of electricity in countries like Australia in the first place.

It is true that when government authorities were in charge of planning there was a tendency to overestimate future demand because of the political consequences of failing to provide a reliable electricity supply. But the costs of temporary oversupply were spread over a large number of consumers over long periods of time.

This meant that, generally, there was always sufficient generating capacity to ensure security of supply. Economies of scale combined with technological advances also ensured that electricity was reasonably priced despite the maintenance of reserve capacity and timely upgrades of the networks.

In the 1980s the need for planning and maintenance began to take second place to the desire to commercialise public services and reduce public service employment. And in the '90s, when electricity was liberalised, privatised and deregulated around the world, the planning function of government bureaucracies was abandoned and surrendered to market forces.

In replacing government planning, market forces are supposed to ensure there are enough supplies because the market is assumed to have the ability to balance supply and demand through competition. In practice the market has turned out to be a rather poor mechanism for ensuring adequate supply.

The National Electricity Market in Australia provides no incentive for generators to invest in new capacity because undersupply keeps pool prices very high and the standby plant necessary to ensure system reliability erodes profits. Also, existing generators have developed a nasty habit of dropping prices when potential competitors are seeking finance to build additional generation facilities. System reliability is therefore compromised by the unwillingness of private companies to maintain reserve capacity in case of sudden rises in demand.

The experience of the electricity market has been that private and state-owned electricity companies have made large profits by charging outrageously high prices when demand is high and reserve capacity low. Because of this, wholesale electricity prices have fluctuated wildly from less than \$40 per megawatt hour to \$10,000 per megawatt hour. Some companies have even artificially created the features of a shortage by withholding some

generating capacity in times of high demand so as to be able to charge very high prices for their remaining electricity. In these circumstances they are hardly likely to invest in extra capacity.

Analysts admit that an unplanned market tends to produce a pendulum effect between too much power and too little, with companies reluctant to invest in new capacity until a prolonged period of shortage when they all rush to build new capacity, creating a glut for a period.

In the meantime, government and private companies are more than willing to blame consumers for the looming crisis. And while it is true that many consumers use electricity too wastefully, the abandoning of responsibility and planning to market forces can only exacerbate the problem. Private companies are hardly likely to encourage energy efficiency and conservation when their profits depend on maximum demand.

In a market no one is responsible for planning or ensuring adequate generation or transmission facilities into the future. This does not matter with some commodities, but it can lead to crises in the case of electricity supply because electricity is so essential to human welfare and economic activity.