HOW DOES GOVERNMENT EXERCISE CONTROL OVER PRIVATISED AUTHORITIES?  The Case of Utilities in Australia.

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SUMMARY:

The current debate regarding the sale by the Commonwealth government of the remainder of Telstra reminds us that issues relating to the regulation of privatised utilities remain critical to ensure that privatised utilities continue of conduct their affairs with regard to the public interest.

Most privatised government businesses remain natural monopolies, and, are capable to controlling either price or output and as a result, can earn monopoly profits as explained long ago by economists, unless the excesses of monopoly power are constrained.

This paper examines the impact of the privatisation of Victorian electricity assets. Recent history since privatisation was completed demonstrates that the regulatory actions of the Office of the Regulator General in Victoria, and its successor the Essential Services Commission, have impacted significantly upon the price, output and investment decisions of the new private, mostly overseas owners of such assets.

Data reported in this paper indicates the following: -

- Prices for electricity since privatisation have risen;
- Per capita consumption of electricity since privatisation has risen;
- Supply interruptions since privatisation have increased;
- Rate of return to the new private owners have increased since privatisation;
- Green-house gas emissions have increased since privatisation;
- Many ownership changes have occurred within the industry since privatisation;
- ORG has been succeeded by the Essential Services Commission as regulator;
- The foundation Chairman of ORG has retired!

To this time the regulatory impact on providers of electricity in Victoria post privatisation remains to be evaluated.  This paper provides a start in the evaluation of regulation of privatised industries.