

Submission to NT Legislative Assembly Public Accounts Committee, Inquiry into proposal to split the NT Power and Water Corporation

1. The proposal to split the NT Power and Water Corporation into three entities is similar to the approach to electricity market reform in other Australian jurisdictions

2. This approach is normally seen, by both proponents and critics, as being logically associated with privatisation. Most notably, the Electricity Supply Association of Australia, a supporter of the proposed split, consistently argues that privatisation is necessary to achieve the full benefits of reform.

See: http://www.esaa.com.au/media/nt_on_the_way_to_a_more_competitive_power_market

http://www.esaa.com.au/media/privatising_energy_assets_a_boon_to_wa_economy_1

3. Despite the claims of its proponents, electricity market reform, including privatisation, has been a complete failure in Australia. None of the claimed benefits have been realised, and large costs have been incurred

4. The most obvious failure relates to electricity prices. For most of the 20th century, electricity was provided under a statutory authority model. The price of electricity fell steadily over this period. It was claimed that even greater reductions could be achieved through reform. In reality, after a brief period in which some users (mostly business customers) received large discounts, prices stabilised in real terms, then began rising sharply. Despite obvious advantages in nearly every source of energy, Australia has gone from having nearly the cheapest electricity in the world to nearly the most expensive.

5. Retail competition has failed to deliver significant benefits. Despite a significant amount of churn driven by marketing efforts, there has been little in the way of innovation at the retail level.

6. Privatisation has been promoted on the basis of claims that it will obviate the need for tax increases or expenditure cuts or that it will 'free' capital to be invested in assets that do not generate a return, such as schools and hospitals. Such claims have been unanimously rejected by economists, even those who support privatisation for other reasons.

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