

Public participation, methodology, public services and liberalisation

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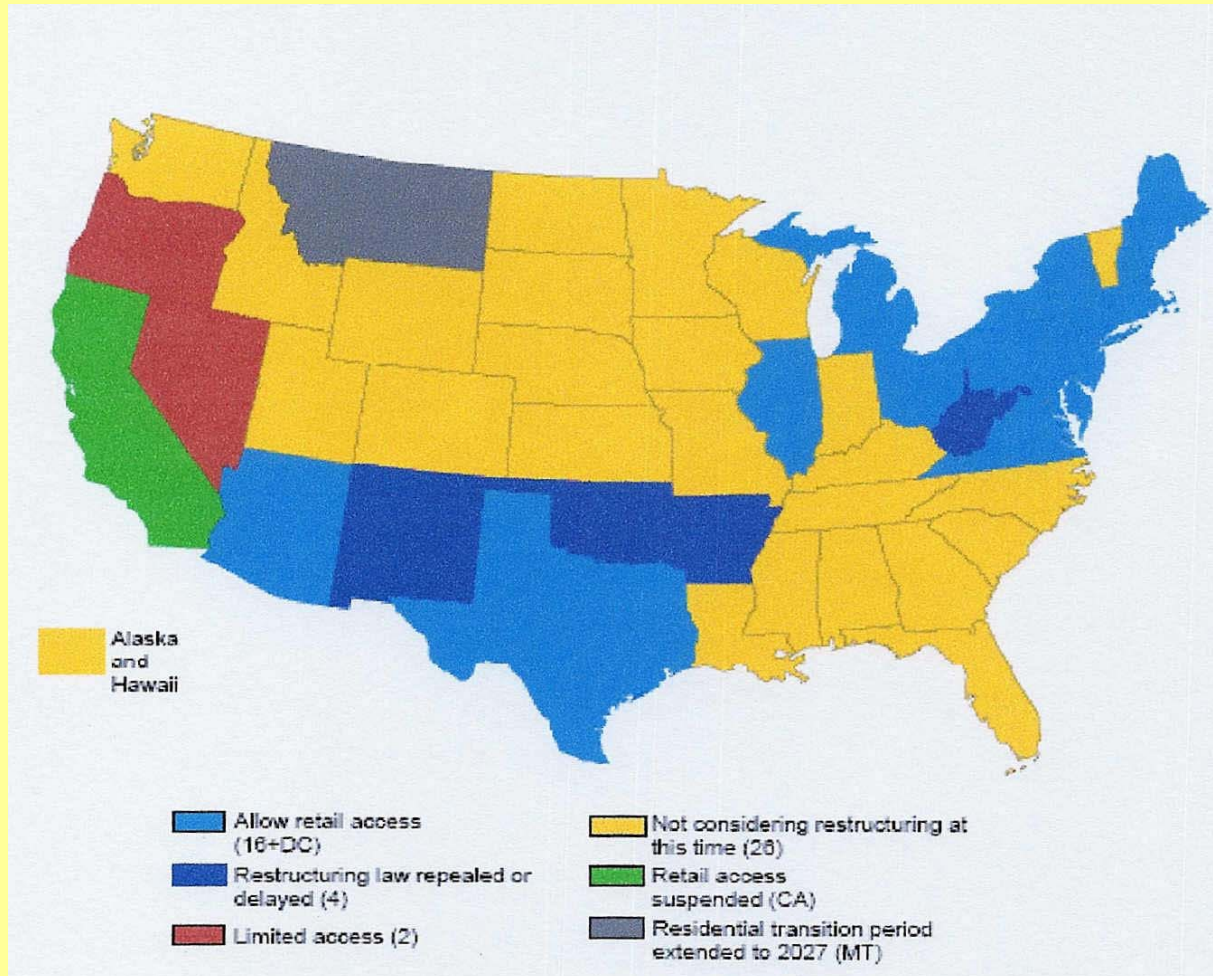
September 2007

- Various weaknesses and issues in methodology. For this discussion focus on three issues:
 - Public debate
 - Prices
 - Evaluation criteria

Public debates and decisions outside EU

- European Parliament 2001 specified that public debate should form part of the process, but evaluation process does not include such debates
- Counterfactual: indications from other countries of what is missed as a result
- USA:
 - Most states (26) do not deregulate, 7 defer deregulation, 17 deregulated
 - 8/17 deregulated states debate changes e.g. end retail choice, allow vertical reintegration www.appanet.org/files/PDFs/powersupplyprocurement.pdf
- Other OECD countries eg South Korea, Japan defer wholesale liberalisation
- Jamash and Pollitt 2005: central policy gives different result from state-level debates:
 - “Against this background of a world-wide slow-down in the pace of electricity reform, the centrally driven effort by the European Commission has been the main force keeping the program of [electricity sector liberalisation] on course...Given the strategic position of the electricity industry in national politics, in the absence of policy at the level of the European Union (EU), the pace of reform in many member states would have been considerably slower.”
- Democratic deficit in EU processes

Democratic debate: variation in USA states policies on electricity deregulation 2007

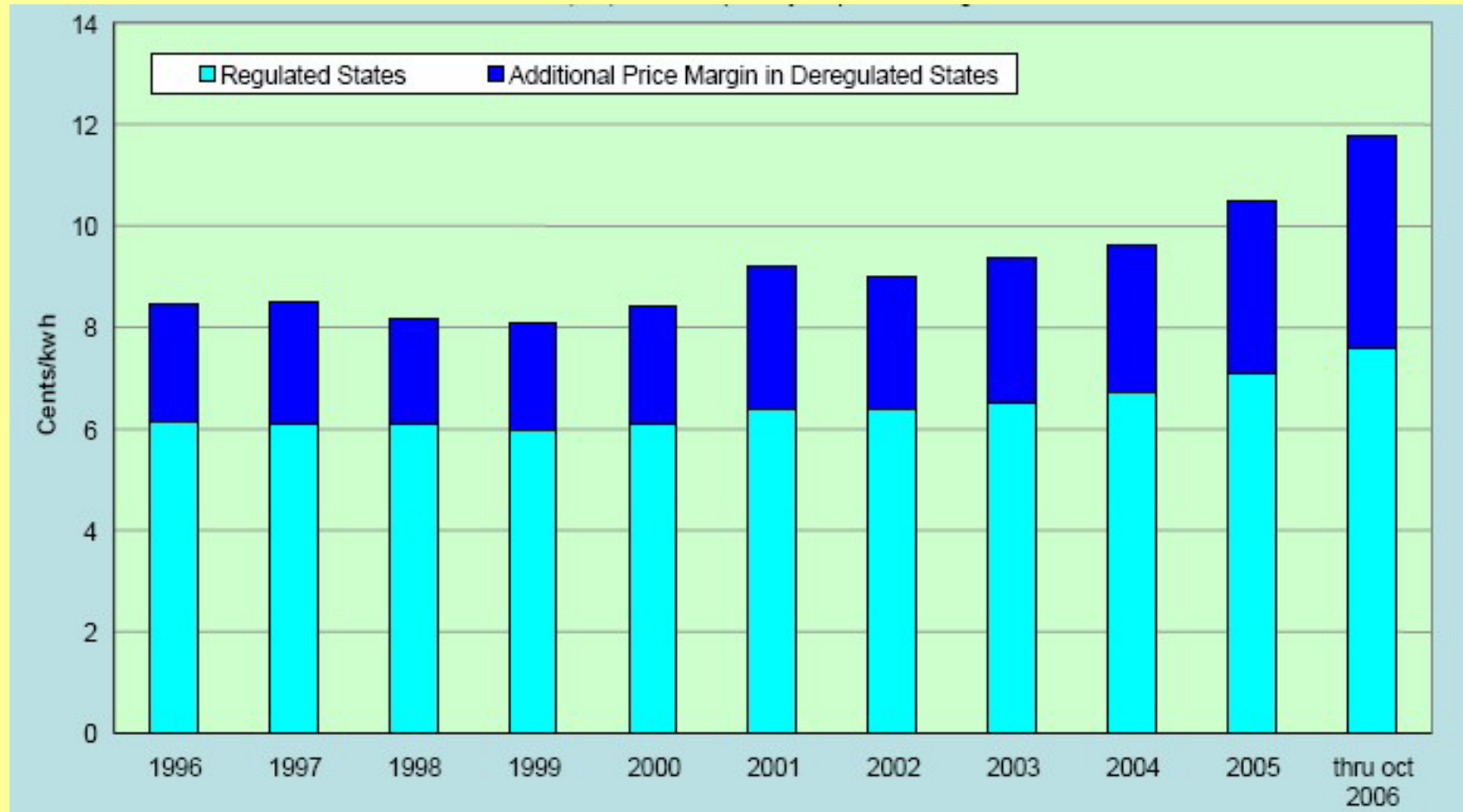


Source: Roseand Meeusen, 2006 Performance Review of Electric Power Markets:
http://www.scc.virginia.gov/caseinfo/reports/2006_rose_1.pdf

Impact on prices: other evidence

- EU studies limited by lack of counterfactuals
 - Comparison of different extent of liberalisation, dwindling data
- USA can compare prices under different policies
 - higher prices and higher price rises in deregulated states
 - Causality still debated
- Similar elsewhere.g. Nagayama Energy Policy 2007, on eastern Europe, former Soviet Union and Latin America:
 - “neither unbundling nor introduction of a wholesale pool market ... reduces the electric power price. In fact, contrary to expectations, there was a tendency for the price to rise.”
- Look beyond EU for counterfactuals

Impact on prices: price levels of electricity in regulated and deregulated states in USA 1996-2006



Marilyn Showalter: Mapping Electricity Policy. Feb 2007 www.ppinet.org

Evaluation criteria and public decisions

- Two questions from report:
 - Consumer choice sticky & ‘sub-optimal’, problem for theory that markets work
 - Copenhagen results imply that liberalisation increases prices in post and urban transport, raises question over rationale for continued liberalisation
- EC and OECD (REGREF indicators) measure extent of liberalisation
 - By themselves, imply optimum size of public sector is zero
 - Cf concept of ‘social market’, requires other criteria for policy choices
 - Most liberalised may not = best for solidarity objectives or employment
 - Citizen preferences may not be for maximum market choice
- Need independent evaluation and public debate against public policy objectives not just technical assessment. Note conclusion of a USA evaluation (Delaware):
 - “..... In the end, the public *itself* must ... express its preference for this risk over that risk, this possibility over that possibility. These preferences must guide investment and operational choices... new institutions are needed to identify the public’s “risk preferences” and to implement them, consistent with the public’s determinations.” (Nancy Brockway: Delaware’s Electricity Future May 2007 www.nbrockway.com/del-electric-future-final.pdf).

Acknowledgements and disclaimer

This presentation is based on research financed by the European Federation of Public Service Unions (EPSU www.epsu.org), Public Services International (PSI www.world-psi.org), the European Commission (including the Watertime project: see www.watertime.net), the International Labour Organisation (ILO www.ilo.org), the United Nations Research Institute for Social Development (UNRISD www.unrisd.org) and others.

It draws on work carried out with various partners including CIRIEC <http://www.ulg.ac.be/ciriec/>, and the current work of the EC-funded PRESOM network <http://www.presom.eu>. The research has been carried out by various staff at PSIRU including David Hall, Emanuele Lobina, Stephen Thomas, and Jane Lethbridge.

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