



Inquiry into Microeconomic Reform in Western Australia

Divestment of Government Assets

ISSUE

The Western Australian Government owns a large number of infrastructure assets and Government Trading Enterprises. For example, Western Power, Synergy, the Fremantle Port Authority and Water Corporation.

Government ownership is one of a number of approaches that can be used to ensure goods and services are delivered in a way that is consistent with society's interests.

Government ownership may be appropriate when private businesses would not otherwise provide those goods and services, or not meet appropriate standards.

However, in many instances, goods and services may be provided more efficiently and innovatively by private sector businesses that are appropriately regulated by the Government. This can also help to address conflicting objectives that arise from Government ownership (for example, trying to maximise profits from Government business enterprises while also seeking to achieve social objectives).

The Government should consider divesting assets where this is the case.



WESTERN POWER



SYNERGY



FREMANTLE PORT AUTHORITY



WATER CORPORATION

WHAT WE RECOMMENDED

The ERA recommended that the Government conduct a full investigation into the potential divestment of Government assets.

The ERA developed a set of criteria to assist the Government in identifying assets that may be suitable for divestment.

We also reviewed a number of businesses currently owned by the Government that may be suitable candidates for divestment. These were:

- Western Power;
- Synergy;
- the Fremantle Port Authority; and
- the Water Corporation.

In many instances, goods and services may be provided more efficiently and innovatively by well-regulated private sector businesses.

WHY WE RECOMMENDED THIS

Divestment of Government assets may lead to long-term benefits for consumers, where a competitive, private market can be established.

Efficient private ownership can deliver more competitive prices, and an improvement in the quality of goods and services, benefiting all consumers.

The six criteria shown in the figure overleaf, when applied in sequence, determine whether Government ownership of an asset or business is warranted.

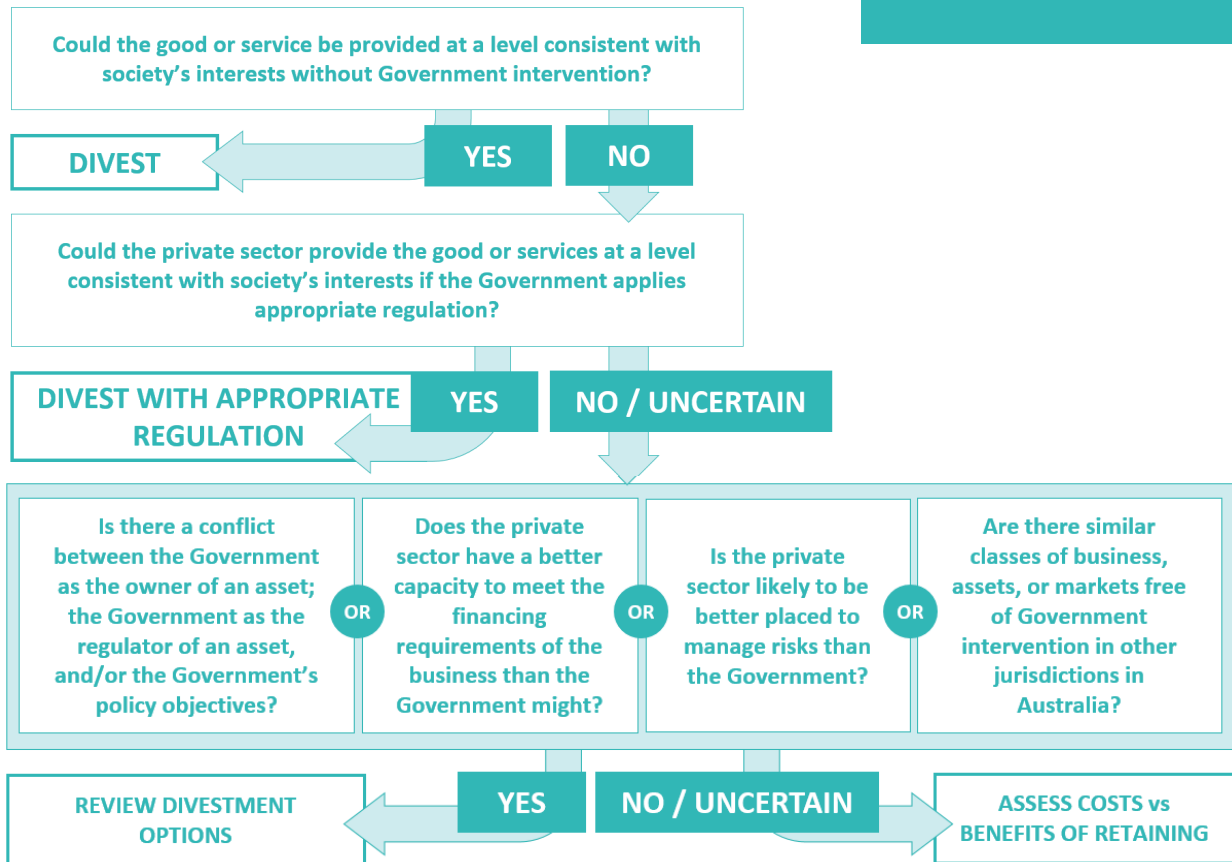
The application of competition without government intervention in the provision of goods and services is usually the most effective way to deliver efficient prices and quality services to customers.

The government can also intervene in a private market, where it is deemed necessary, to ensure that society's interests are being met. Such interventions may include regulation of private sector delivery of a good or service, and the use of targeted levies or taxes.

CRITERIA FOR DIVESTMENT

The criteria for divestment outlined by the ERA provide a guide to identifying government-owned assets that are good candidates for divestment. They consider:

- the capacity of the private sector to deliver the good or service;
- any regulation that may be necessary after divestment;
- any conflict of interest, financing, or risk concerns arising from government ownership;
- similar divestments that have taken place elsewhere.



This fact sheet is part of a series on the ERA's 2014 Inquiry into Microeconomic Reform in Western Australia

The full report and additional fact sheets are available at erawa.com.au

CONTACT US

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