

Is Privatization Enough? Finding Performance Breaks for UK Power Plants

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Thomas P. Triebs and Michael G. Pollitt

Even though privatizations are widely credited with increased firm performance more detailed economic studies show that often it is not privatization itself but related institutional or management changes that are actually responsible. Is the same true for the privatization of UK electricity generation plants? And what about emission intensity? Our study shows that changes in plant efficiency lag privatization and are correlated with the post-privatization restructuring of the industry, the reduction of political interference in fuel choice, and investment in new and more efficient generation technologies. Efficiency changes for CO₂, SO₂, and NO_x emissions are generally related to fuel efficiency though there are instances where emission efficiencies move in the opposite direction suggesting trade-off between fuel efficiency and emissions exist. Efficiency increases first for labour and later for fuel suggesting that for technological and possible political reasons labour could be reduced quicker. This study uses a newly compiled unbalanced panel of about 60 plants for the years 1980 to 2004. We conclude that electricity privatization like other UK privatizations was a unique event. Privatization was necessary but not sufficient to bring about increases in plant performance.

Contact
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t.triebs@aston.ac.uk
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ESRC TSEC 1, Aston University

