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## Article

### "Private utilities are no more efficient than public utilities": Six questions to Astrid Cullmann

DIW Economic Bulletin

#### Provided in Cooperation with:

German Institute for Economic Research (DIW Berlin)

*Suggested Citation:* Cullmann, Astrid; Wittenberg, Erich (2016) : "Private utilities are no more efficient than public utilities": Six questions to Astrid Cullmann, DIW Economic Bulletin, ISSN 2192-7219, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, Vol. 6, Iss. 20, pp. 239-

This Version is available at:

<https://hdl.handle.net/10419/141290>

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## SIX QUESTIONS TO ASTRID CULLMANN

# »Private utilities are no more efficient than public utilities«

1. Ms. Cullmann, in recent years many communities have been reacquiring previously privatized shares in energy companies. Does this point to a trend toward remunicipalization? We have created a new microdata set of German energy companies in order to analyze this question for the first time in Germany. Our empirical analysis shows that both the number as well as the turnover of public companies in the energy supply has indeed increased. But we also compared these changes to the development of private enterprises within this sector, and our results show that there really is no strong trend toward remunicipalization.
2. How have the respective market shares of private and public utilities developed in recent years? There has been an increase in the number of both public and private utilities. However, the number of private enterprises has seen greater increases than that of public enterprises; as well, turnover of private enterprises is increasing faster than that of public enterprises. From this, we can conclude that the public companies' share in turnover has actually declined. So it's really not possible to claim that the public companies are displacing private ones in the energy supply sector.
3. You have studied the efficiency differences between municipal and private energy companies. Are municipal utilities less efficient than private ones? Critics often suggest that public companies have fewer incentives for efficient service provision. We have looked into this question using our new microdata, first by investigating the competitively organized electricity retail and second by examining the regulated network operation. Our analyses were not able to turn up any evidence of efficiency differences between public and private companies with regard to electricity retail or network operation.
4. What explains this result? It is always assumed that the public companies have many divergent goals and are not as oriented toward profit maximization as are the private enterprises. Municipal companies may want to implement, for example, anything from energy policy objectives to climate policy objectives to fiscal objectives. Our analysis shows that in spite of divergent objectives, public companies perform just as efficiently as do private companies, as they are not very different in terms of efficient service provision in their production processes.
5. Aren't there advantages to having the power supply under municipal ownership? Whether to remunicipalize remains an individual decision for each municipality—here, we've really just considered the efficiency aspects. Municipal companies are certainly in a position to combine their other goals with efficient service provision, but we would not want to draw conclusions about individual municipalities and their remunicipalization plans from these general analyses based on our data.
6. What is the situation for the network operators? Since numerous concessions have expired in recent years, the municipalities have been considering taking a bigger role in the electricity distribution sector. There is no competition here per se, and so the network charges are generally fixed by the respective regulatory authorities. Although public and private enterprises are subject to these same regulatory requirements, you often hear the criticism that public network operators would operate their networks less efficiently than would private operators. But our analyses clearly show that there are no efficiency differences to be found here.

Interview by Erich Wittenberg



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HLTW Übersetzungen GbR  
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#### Layout and Composition

eScriptum GmbH & Co KG, Berlin

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#### Sale and distribution

DIW Berlin  
ISSN 2192-7219

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