

NOV 09 ETNZ

**RECENT INDUSTRY
PROGRESS**

RECENT INDUSTRY PROGRESS

OVERSEAS PERSPECTIVE

- Security
- Land scarcity
- Small population
- Lack of direction and motivation

RECENT INDUSTRY PROGRESS

- The balance of Power in the World has shifted to Asia, Russia and the Middle East.
- Little social support, lower taxes, greater disparity in wealth.
- The standard of living in N.Z. will drop in the medium term

RECENT INDUSTRY PROGRESS

- Progress in the last 6 years has been backward. In the areas of;
 - Control
 - Regulation
 - Service to Customers
 - Reliability
 - Security
 - Innovation

RECENT INDUSTRY PROGRESS

- CONTROL

- Control can be at the Industry , political, government official, or independent bureacrat level
- The further along the chain the higher the overhead and the worse the results.
- We are at the 4 th level

RECENT INDUSTRY PROGRESS

- Regulation
 - We have the Commerce Commission, the Electricity Commission, the Complaints tribunal.
 - These cost at least \$100 m. each year , THE INDUSTRY PAYS FOR THIS AND ULTIMATELY THE CONSUMER.

RECENT INDUSTRY PROGRESS

- This regulatory oversight is an industry in itself.
 - It protects itself
 - Its results are hopeless.
 - In the last 5 years;
 - Electricity prices up 55%
 - Line Cos prices up about 8 – 10 %

RECENT INDUSTRY PROGRESS

- Generator /retailers rate of return 28% P.A.
- Line Cos rate of return 7 – 9 % P.A.
- Investment in Networks not made . Look at security of Top of S.I .,Auckland.Both are an accident waiting to happen.

RECENT INDUSTRY PROGRESS

- Service to Customers
 - Charges up 55%
 - Savings campaigns in 3 out of the last 7 years.
 - Network security substantially lower.

RECENT INDUSTRY PROGRESS

- Innovation
 - Killed by regulatory intervention.
 - The Electricity Commission and Commerce Commission are both micromanagers with the wrong people with little practical industry experience.

RECENT INDUSTRY PROGRESS

- WHAT CAN BE DONE
 - Ensure that Trust Deeds allow exemption and avoid direct regulation
 - Change the attitude of the Commerce Commission
 - Ensure that politicians are aware if the new act is not administered as the Government intended to promote investment.
 - Ensure that the timing of resets for those regulated is correct in very volatile financial markets. Not a good time to reset when OCR is very low.