

Public Enterprise

Public enterprises

- Listed on stock market
- Can be owned by state or federal government
- Government managed and financed





Why would a government intervene?

Governments usually intervene in markets for three main reasons.

1. To correct market failure
2. To achieve a more equitable distribution of income and wealth
3. To improve the performance of the economy

Privatisation or modernisation

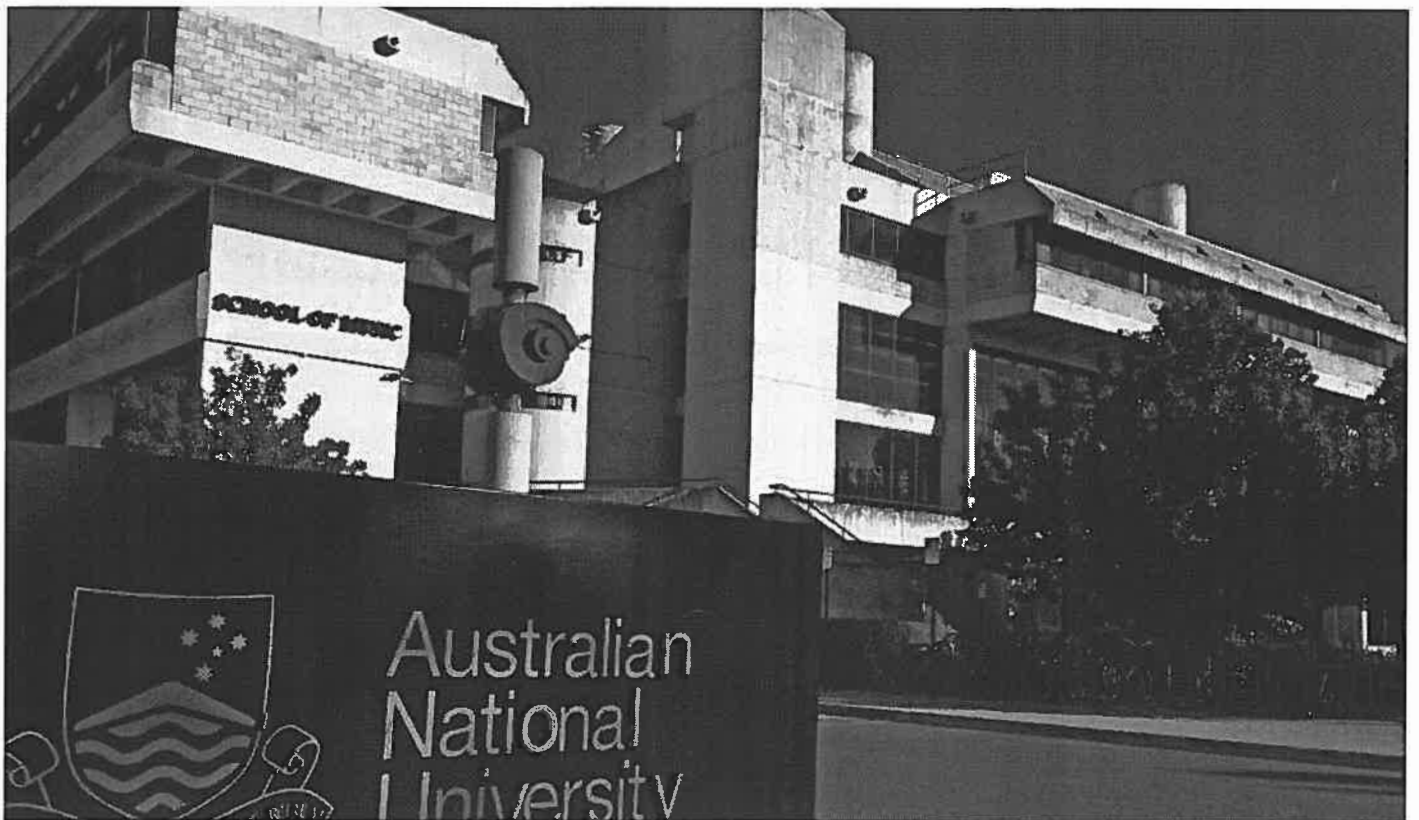


Monopoly

- One firm dominates the market
- No competition

Oligopoly

- A few firms dominate the market
- Some competition
- Requires large start up cost in order to compete



Thanks for listening

Bibliography

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1. Good morning guys, the topic I have chosen is public enterprises and today I am going to talk a bit about public enterprises and their role in the market. For those of you who are unsure exactly what a public enterprise is, it's basically a company that is owned by the government, this can be either the state or federal, the government finances and manages these enterprises. Public enterprises are listed on the stock market and are often subject to more regulation than other privately owned companies. Public enterprises include things such as public schools, public transport, Australia post, water and electricity and the ABC.
2. Because the government operates and finances public enterprises it's relatively easy for governments to be able to access information to do with how the business is currently going financially and whether or not they need to invest more money into the enterprise in order to boost its outputs or whether the business is running smoothly and perhaps doesn't need as much financing, so the government can spend the money elsewhere.
3. Other businesses would be able to use the information and data gained from public enterprises to determine things such as how and where their own business sits in the market, whether they need to increase or decrease production levels. Smaller businesses use information or services to help run their own company. I think it would be easier if I provided you with an example instead of trying to explain it, so as an example, smaller mobile phone companies or providers such as southern phone, actually buy or rent Telstra's phone towers and mobile service so that they don't have to make their own towers which would be far too expensive for such a small business, so they instead rent Telstra's so that southern phone customers get the same mobile service as Telstra customers, only they are on a southern phone plan.
4. A public enterprise is a business that's main focus is to cater for the needs of the people and provide adequate supply to things that are high in demand. Public enterprises are non for profit companies that are most concerned about public welfare, this is the main difference between the operation of public enterprises and private businesses whose main focus and sometimes only focus is to create profit. Public enterprises are created to provide much needed goods or services and available to everybody at an affordable price or for free like the ABC.
5. Governments usually intervene in markets for three main reasons.
 1. To correct market failure
 2. To achieve a more equitable distribution of income and wealth
 3. To improve the performance of the economy
6. If a public enterprise becomes inefficient, often, as a market solution, the government will privatise the company, which basically means sell the company off, the company will then become a private enterprise, and with profit being the major incentive, will create a more enthusiastic workforce and force changes upon itself to become a more efficient business. Another solution to an inefficient public enterprise is by modernising it. Modernisation can come in many forms including alliances, shared facilities, joint ventures, refinancing and outsourcing functions. An example of modernisation is when Telstra decided outsource their functions, they rented their phone tower service to smaller phone companies.

10. In a market characterised by monopoly, the firm dominates the market and there is no competition whatsoever. Governments may sometimes provide a private company with the rights to monopolies a market. This is a low cost option that governments may take. The other thing a government may do is create a public enterprise to fill the gap in the market. This is a high cost option.

9. In a market characterised by oligopoly, there are only a few firms in the market, there is competition, however not as much even competition as in a perfect competition. Firms usually require a large start-up cost in order to compete in an oligopoly market. A good example of a market characterised by oligopoly is the supermarket industry which is dominated by Woolworths and Coles.

8. If a market is left to its own with no one or no organisation to watch it, keep it in check and provide effective market solutions then a whole range of problems can arise, such as the unequal distribution of wealth which will in turn have a huge effect on the economy. Another problem is the unequal distribution of resources. An example of the unequal distribution of resources is education and in particular, universities. Universities are a regulated market which keeps the market in check, meaning that there are laws that protect that market to keep it in order, if that market was to become deregulated, so take those laws away, then major consequences would arise. If universities were allowed to bump up their prices, then it would cost a lot more for people to get a degree at university.

10. This would cause some people to not be able to afford to go at all, which may affect things like the unemployment rate. Those that would still be able to afford to go, would want a return on the price that it costs them to get the degree. As I'm sure you agree, if you pay tens of thousands of dollars to go to uni, then you would want to get a good job afterwards so you can pay off your debt as quick as you can. It would also create problems such as a cultural deficit. People would be less likely to pay thousands of dollars to get for example an arts degree, or a music degree, if they were unlikely to be able to get a well-paying job afterwards hence Creating this cultural deficit.

11. To sum up what I have talked about today, I see public enterprises as being very important because they provide the population with equitable access to resources. Governments usually intervene in markets for three main reasons.

1. To correct market failure
2. To achieve a more equitable distribution of income and wealth
3. To improve the performance of the economy

Major problems can arise if the market is left to decide including things such as cultural deficit. And that in order to make an inefficient public enterprise more efficient, one of two ways are needed, either privatisation or, modernisation.

Thank you for listening