



THE BLIND MEN AND THE ELEPHANT

GETTING THE PICTURE CLEAR ON PRIVATISATION



Melbourne Unitarian
Peace Memorial Church Est. 1852

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GETTING THE PICTURE CLEAR ON PRIVATISATION

The Unitarian Church of East Melbourne is proud to sponsor a project to promote and reinvent the Australian commitment to democracy and equality. This will involve the production of a series of reports of which this is the first. Others will follow in the coming years.

The Unitarian Church will also sponsor seminars, workshops and conferences and reach out to work with other community organisations in reimagining a more equal, more democratic Australia. We hope you will be inspired to join us and support our work in any way you can.

Please read this report that has been prepared and written by Henrike Brussaard and Bronwyn Price, with the support of Prof. Rob Watts (RMIT University).

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The way we live today

Australia is an enviable place in which to live with a great climate, fertile soil, fantastic beaches and parks – and some of us enjoy the benefits of living in an advanced, economically developed society. Yet lately things have not been going so well for increasing numbers of Australians and we cannot merely blame the 2008 Great Recession for this.

As Australians, we have had good reason to be concerned about the way many of us now live. Australia is no longer a broadly equal society the way it was throughout the 1970s. Until then we had a well-earned reputation as a place where everyone got a 'fair go'. We are now a society divided between the very rich and the large number of people doing it hard.

Today in Australia the 10% of the wealthiest own 45% of all our wealth. Twenty per cent of the wealthiest have a staggering 70 times as much wealth as people in the bottom 20%. Too many of us are working in casual, low paid jobs. In 2015, 7% of us are unemployed, while another 9% are underemployed. Over 30% of the workforce have part-time, casual jobs. Over the 25 years to 2010, real

wages increased by 50% on average, but only by 14% for those in the bottom 10% of incomes, compared to 72% for those in the top 10%. The top 20% of Australians get around five times as much income as those in the bottom 20%. Most of the people in the bottom 40% of incomes live off welfare benefits.

Too many of us are working in casual, low paid jobs

The social effects of this are increasingly evident. Housing has become less and less affordable as house prices soar, driven by investors buying properties and resulting in a decline in home ownership rates. High quality flexible childcare is hard to get and expensive. Too many of our children are not getting the quality of schooling they deserve. From a population of 23 million, two million of us are in post-secondary education and paying for this education by taking out loans worth in excess of \$30 billion. Our hospitals are not keeping up with demand, especially in areas such as elective surgery. The list goes on ...

Once upon a time...

Into the 1970s the rich paid super income tax and the wealthy paid a wealth tax. Full-time work was the norm and an elaborate system of industrial regulations meant everyone was paid a decent 'basic wage' – because that was the law. Governments also invested in and provided basic public services to make Australia a great place in which to live.

Public enterprise has a long and important history in Australia. From the time of the establishment of the British colony in Sydney in 1788, governments have provided most of the basic services. At critical times like wars and depressions, public enterprise played a nation-building role. This means that the notion of 'public' has been central to the Australian experience.

Into the late twentieth century, governments

owned and provided the electricity and gas supplied to homes. They ran the trams, trains and buses, and supplied the telephone system. Even the universities were seen as public institutions, while Australians banked with fully government-owned banks, including the Commonwealth Bank, providing long-term, low-interest mortgages so everyone could own a house. Governments built freeways and bridges. These were all cheap and efficient and met the needs of ordinary Australia for reliable, affordable services.

And then governments and politicians in the major parties were seduced by the new idea that governments needed to step back and allow 'markets' to do more and more of what governments had been doing so well. The Age of Privatisation was upon us.

What is privatisation?

Privatisation can be a notoriously slippery term. If you are looking for the definition of the word 'privatisation' the dictionary will say:

'To transfer from public or government control or ownership to private enterprise so that the government ceases to be the owner of the entity or business.'

THERE ARE IN FACT FOUR BASIC KINDS OF PRIVATISATION

1 Governments can sell off government-owned entities or assets either wholly or in part. Governments have sold off electricity generation and gas supply systems, publicly owned air transport operations like TAA and more recently QANTAS, entities like Telstra, and state banks in every state and the Commonwealth Bank.

This is the kind of privatisation we are mostly interested in here. Stuart Rees catches the political point of privatisation when he says it is the 'direct transfer of valuable community-owned assets to those with ready cash'. The sale of public assets represents the hard core of privatisation and this is what we talk about here.

2 Governments can also contract with a private company or group of companies to offer a public service. Good examples include the way the Kennett government forced local governments to contract out library services and garbage collection in the 1990s or the way the Australian government had Centrelink contract out its employment services to private companies, charities and church groups.

3 Governments contract with a private company or group of companies to build, own and operate a road bridge or school when this has traditionally been done by a government department. This has been done many times over with projects such as the East-West Freeway in Melbourne or the Sydney Harbour Tunnel; or prisons run by G4S, the largest operator of private prisons in the world which runs Port Phillip Prison in Victoria or Mount Gambier Prison in South Australia; or GEO which runs Fulham Correctional Centre in Victoria, Arthur Gorrie in Queensland and Junee and Parklea in NSW.

4 Finally, governments can force a public entity, such as a university or a community health centre, to act like a private business by requiring them to charge a fee for the service that had once been free by requiring it to make a profit or by requiring it to adopt the language of business.

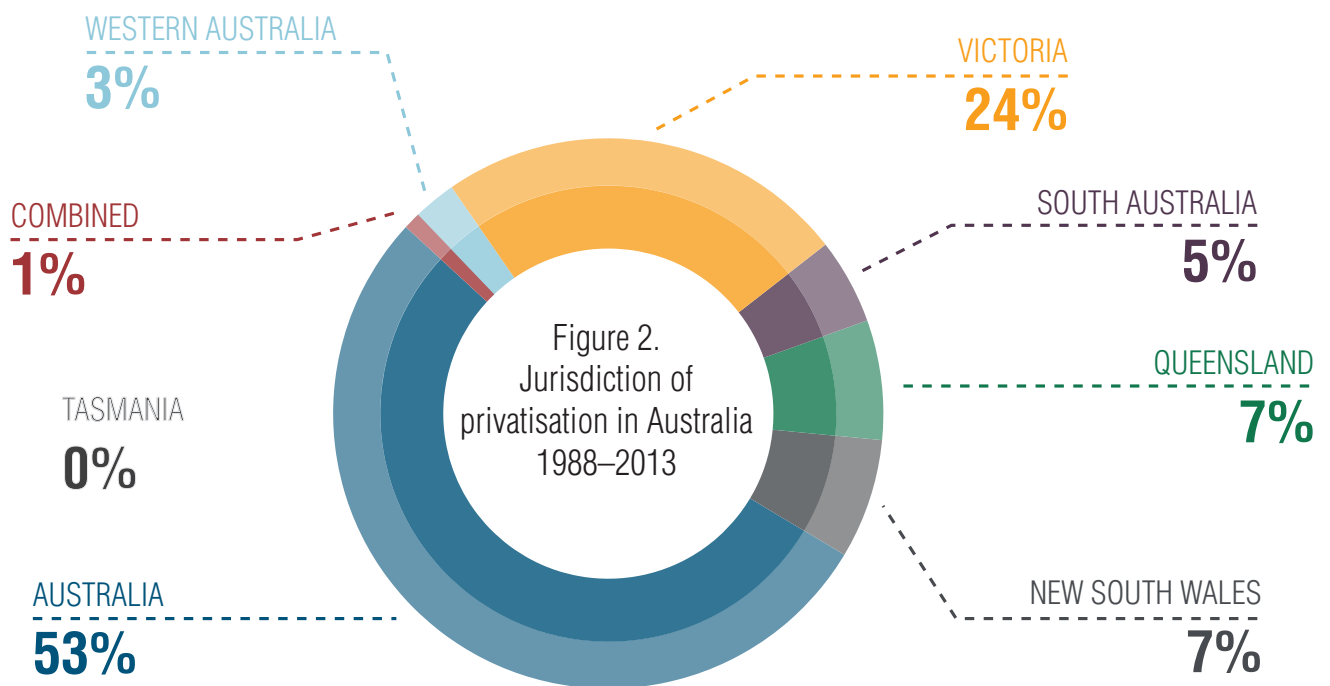
A short history

Privatisation is a policy idea that began in the UK in the 1980s and which Australian governments picked up and began to implement in the late 1980s and 1990s.

Privatisation in Australia started with the privatisation of relatively small, government-owned businesses that were active in relatively competitive markets. Allegations made by state Liberal parties and the media in Victoria and South Australia that the governments in these states were either 'bankrupt' or 'sunk in debt' were used in 1990–1991 to justify a first wave of privatisation. This was followed with the sale of a number of banks and financial institutions by both federal and state governments.

proposals to privatise elements of the energy sectors in both Queensland and New South Wales indicate.

Between 1987 and 2013 Australian governments sold off public assets worth \$194 billion (in constant dollars). The Australian government sold off the Commonwealth Bank, the domestic and international airlines, naval dockyards, defence-related aircraft factories, communications satellite systems, the natural gas pipeline system, the national railway service, serum laboratories, the management of the superannuation fund for public sector employees, and a housing network for ex-servicemen.



Between 1990 and 2001 Australia engaged in a frenzy of privatisation. The second half of the 1990s saw the start of a long, sustained burst of privatisation in Australia under the Howard government (1996–2007). It was a world leader in privatisation, selling off public assets worth 20% of its total economy over this decade. This compares with countries like the UK that sold public assets worth less than 5% of its economy or the USA that effectively sold nothing. Since 2001 the pace of privatisation in Australia has slowed down, though it hasn't stopped, as recent

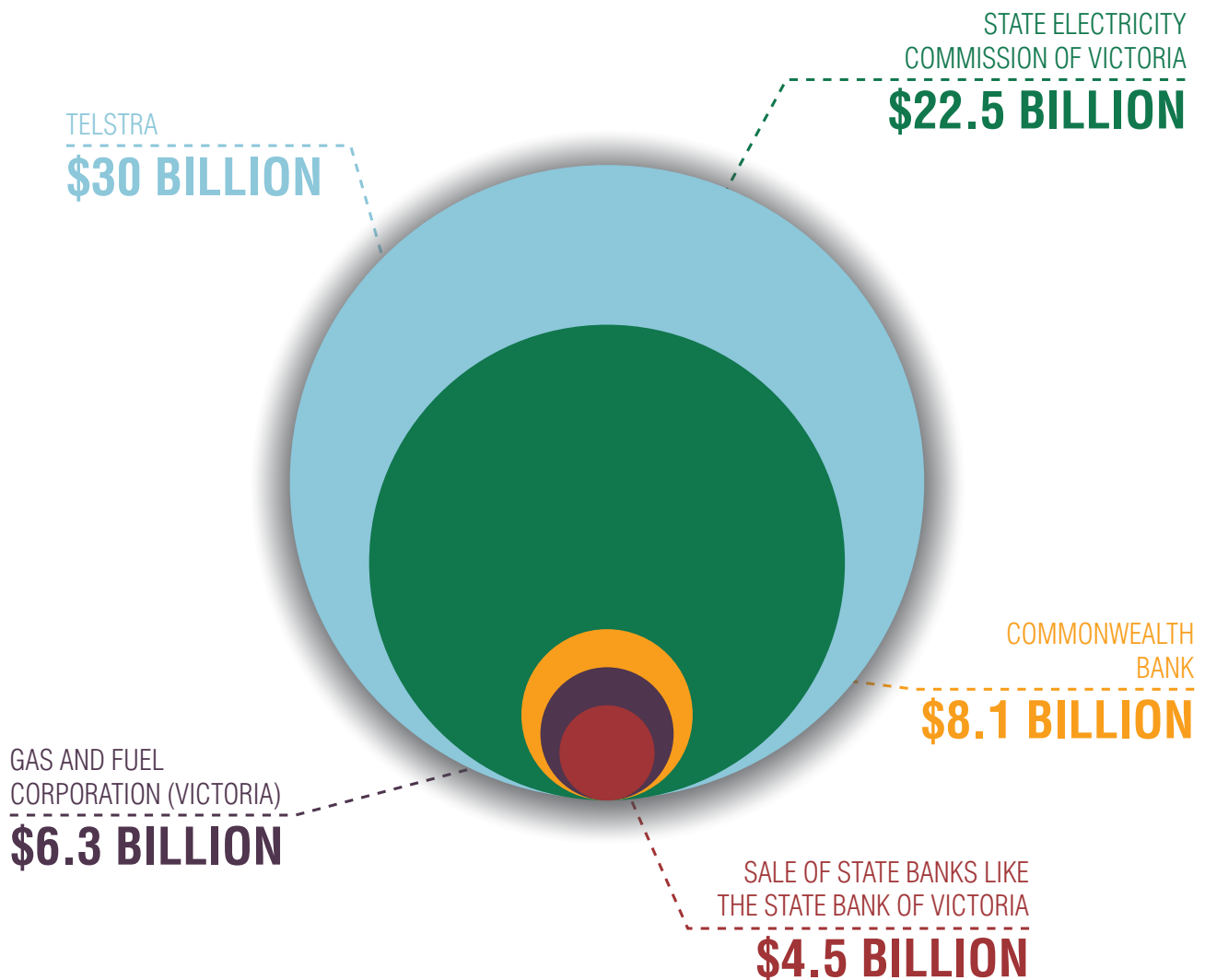
In most cases this represented decades or more of public investment by taxpayers and governments in entities such as buildings, factories, trains and buses, power, phone and rail lines owned by public entities that returned high levels of revenue to governments for reinvestment or to meet the needs of ordinary Australians. Some states have sold off more public assets than others. As the pie chart shows, Victoria has engaged in more privatisation, while the Northern Territory, Tasmania and Western Australia have not engaged in as much privatisation.

Top five

We have also seen the sell-off of public airports (\$4.1 billion), the distribution and retail arms of state electricity in SA (\$3.5 billion), six state insurance offices (\$3.1 billion), WA's Dampier-Bunbury natural gas pipeline (\$2.3 billion) and Qantas (\$2.1 billion).

This is a lot of wealth that was once in public hands and used for the public benefit that has now been shifted into the hands of wealthy investors and big corporates.

The top 5 privatisations involving sell-offs in Australia in terms of the value of the sale



Why privatisation?

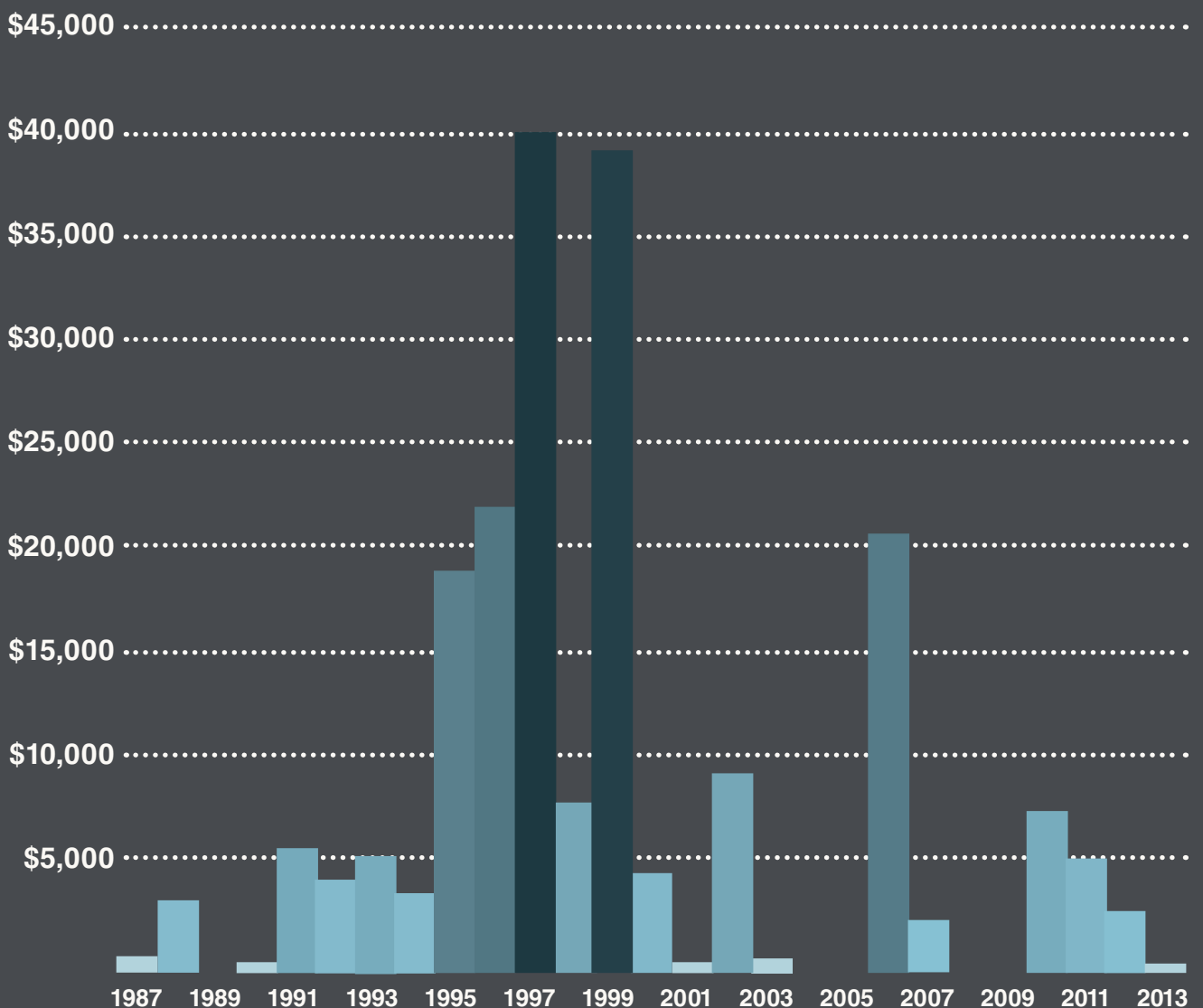
Governments have sold off public assets because politicians, policymakers and many economists claim that selling public assets gives governments a big pot of money that will allow them to increase public spending, cut taxes or pay off their 'debt'. Here, the word 'debt' only means that they have borrowed money to invest in public assets such as roads and bridges, rail, tram and bus transport, electricity and telephone networks, schools, universities and hospitals.

Our governments have also convinced themselves that the privatised services

will be more efficient, cheaper and better because they believe 'competition' between private enterprises is 'naturally' more efficient. Businesses and wealthy people have also spun the value of privatisation, saying it promotes productivity, efficiency and lower prices. These arguments are either largely spurious or are simply not borne out by evidence. In effect, these arguments are really myths.

Let us start with the myths and then look at what the evidence says.

Figure 1 Annual Value of Privatisations in Australia, 1987–2013 (constant \$2,000)



Ten myths of privatisation

In recent years more and more research has been done on the alleged benefits of privatisation. That research suggests there are at least ten myths about privatisation.

Private businesses
will always be better
at providing services

Supporters of privatisation argue that the private sector is able to deliver services in a more effective and efficient manner than the public sector. This is because the private sector is motivated by the bottom line (profit) to continually reduce costs and to improve the quality of the services. While this sounds appealing, private sector failure is sufficiently well documented to demonstrate the myth at work here. Businesses, big and small, fail and collapse regularly because of bad judgment, bad luck or misconduct. Secondly, the public sector has different responsibilities, namely to provide affordable goods and services to all Australians. This means that not all services can be provided profitably. That is not to say that the public sector does not need to constantly improve its performance.

Another key argument put forward by advocates of privatisation is that privatising public assets and services increases the supply of those services. The claim is that without the injection of private investment the supply of basic goods and services would have to be deferred or not undertaken. While this might be true in the short term, it is not true in the long term. The need to make big profits and return dividends to shareholders often means that long-term investment in new power lines or new trains does not happen.

Private sector
investment increases
the availability of
goods and services
to the community

3 Privatisation improves accountability

Proponents of privatisation argue that through the use of performance contracts, transparency is created and therefore greater levels of performance accountability can be achieved. While it is true that this can lead to greater accountability, experience has shown that after a private company has bought a train or bus system or been awarded a contract to run a service, the government is 'locked in' and will prefer to renegotiate rather than terminate a contract. Performance indicators often depend on the data provided by the service provider, and many mechanisms can be used to produce 'good' numbers that are actually misleading. Rigorous performance contracts have also led to increased costs in terms of accountability requirements leading to contract variations, often at a high cost to the community.

One reason for privatisation in recent times is the desire of governments of all persuasions to reduce their financial risk. The argument is that by transferring all the debt and risks to the private sector, government budgets are balanced. This may be true in the short term. However, in many cases governments have made secret deals to protect companies running complex systems, such as rail and tram services, from financial loss. In cases where the private sector loses money and walks away from a contract, governments must step in to maintain services, such as the case with the Sydney Airport Rail Link, leading to a big increase in costs.

4 Privatisation reduces the level of financial risk to government

5 The 'user pay' principle is a fairer way of paying for services

Privatisation often means that the users of services have to pay a fee. Rather than the community paying through general taxation, it is argued that the users of such services should pay and that this is fairer. However, this is not true. For example, motorists dependent on toll motorways to get to work or run their trade are often lower income earners living long distances from their workplaces at the centre of our major cities. The application of the 'user pays' principle is not reasonable as it charges a fixed fee to all users regardless of their ability to pay.

Private sector involvement in the provision of goods and services is free of political interference

Many advocates of privatisation argue that by selling off public assets and services, the capacity for political interference is reduced. Political interference is believed to increase inefficiency, corruption and poor resource allocation. Such an argument fails to recognise the inefficiency, corruption and poor resource allocation in the private sector. Worse, as we have seen, is that expanding the relationship between politicians, policymakers and private business interests actually increases the likelihood of corruption, secret deals and fraud. Private interests put pressure on governments to endorse projects that may or may not be required but that will make big profits for business interests.

Advocates of privatisation argue that by injecting private funds, overall taxation can be reduced. It is true that reducing government spending can mean a reduction in the need for revenue.

Privatisation reduces taxation

Privatisation will result in the better provision of services

Some advocates of privatisation argue that the introduction of private sector partners will produce important and required organisational change through the introduction of new technologies and streamlined processes. Privatisation does not inherently produce this result as the introduction of the Myki transport card system in Victoria demonstrates.

Privatisation is said to accelerate investment and increase new employment opportunities. Experience suggests that after privatisation, total employment in the post-privatisation phase will reduce as a means of reducing costs. In the case of a competitive market, such as telecommunications, cost competition will lead to a major reduction in jobs, often of high skilled workers.

Privatisation will lead to more and better jobs

Privatisation will
make public funds
available for other
essential services

10

One reason given for privatisation is that it frees up public monies that could be used for other essential services. This argument would have some validity if in practice these 'savings' were applied in this way. There is little evidence of this actually happening. Funds saved in this way have mostly been allocated to consolidated revenue to be used to retire debt and certainly have not been used to supply better community services and roads and rail.

The real motivations for privatisation

Despite some excellent research by Australian researchers, little interest and initiative has been shown by governments and other proponents of privatisation to promote careful, evidence-based research into its efficacy for the public good. This is not surprising given that there is very little evidence to support the main arguments advanced by those promoting privatisation.

Rather, we see how corporations and investors have seen privatisation as an easy way to get their hands on very valuable assets and to do so at often rock bottom prices. As Sharon Beder put it:

The privatisation of essential government services is not about competition and efficiency; it is about the redistribution of wealth and control.

Privatisation is promoted by a group of powerful vested interests greedy for low-risk financial investments, consultancy and legal fees, or banking business. They are aided by business-funded think tanks and economic advisers who spread the ideologically based belief that private management is superior,

despite the plethora of examples contradicting this.

Privatisation has become the final resort of governments that need funds but are afraid to tax the wealthy and prevent tax evasion by big businesses. Instead, government assets are sold in a scramble for cash at the expense of ongoing dividends and government control of essential services. Struggling families and small businesses suffer most from the inevitable price rises that follow.

*privatisation is
promoted by a group
of powerful vested
interests*

Beder's basic points are well illustrated in the following case studies:

- The sell-off of the SEC-V makes the point that business interests used think tanks to promote the privatisation of the SEC-V. It also makes it clear that electricity prices do not fall and we do not get real efficiencies.
- The sell-off of the Commonwealth Bank makes the point that the wealthy get valuable assets at fire-sale prices.

Case studies

SELL OFF OF TELSTRA

Telstra had its origins in the creation of the Postmaster-General's Department set up in 1901 to manage all mail and telephone services in Australia. In 1975 the PMG was split into Australia Post and Australia Telecom. In 1981 Telecom created the first mobile phone service. In 1995 Telecom became Telstra.

The Howard government began the privatisation of Telstra by offering to sell 33% of its issued shares which was followed up by two further share offers in 1999 and 2006.

Telstra was the jewel in the crown of Australia's public assets.

Telstra was the jewel in the crown of Australia's public assets. Telstra was a very big enterprise: Telstra's revenues were about 3 per cent of national income through the 1990s, while Telstra was valued at about 6 or more per cent of Australia's annual national income. In the 1980s and 1990s Telstra was paying big dividends to the government and people of Australia. Equally, Telstra was able to fund continuous development of the telephone networks using 77 per cent of its capital expenditure.

The main arguments advanced for selling it off included claims that:

- privatisation would enable Telstra to be more 'responsive to consumers' and the rapidly changing environment
- privatisation would transform Telstra into 'a modern, lean and efficient enterprise'
- competitive pressures would 'test Telstra to the limit' and that Telstra should have access to skills and capabilities required to meet that test.

In 1997 John Quiggin argued that there were no good grounds for believing that a combination of market competition

and external regulation would result in a privatised Telstra serving the best interests of telecommunications consumers or Australia in general.

By the early 2000s there were signs of trouble. Even then, in spite of the presence of competitors such as Optus and Vodaphone, Telstra retained its near-monopoly status: it controlled 83 per cent of the local call market, 72 per cent of the long distance market, 50 per cent of the international market, 50 per cent of the mobile phone market and 96 per cent of the phone directories market. Because of its near-monopoly status, Telstra had no fewer than seven regulators, but the regulators have had terrible trouble regulating or controlling it. Too many Australians have come to loathe Telstra for its poor attitude to its customers and its service delivery.

It says a great deal that in 2014 the Australian Communication and Media Authority (ACMA) fined Telstra for failing to meet service standards. The fine was issued for failure to meet customer service targets for timely new urban landline connections. The fine was issued as Telstra fell short of two of the benchmarks outlined in its own Customer Service Guarantee, which was a requirement of the company's privatisation. Although it also missed the mark on connections for remote areas, the company was not fined for this breach, receiving only a warning. Telstra was also put on notice with regard to its removal of payphones and failure to strictly comply with the stakeholder consultation process.

SELLING THE STATE ELECTRICITY COMMISSION OF VICTORIA

Until 1992 Victorians enjoyed having a publicly owned organisation called the State Electricity Commission of Victoria (SEC-V). The SEC-V was the monopoly supplier of electricity to all Victorians.

The SEC-V provided low cost, affordable electricity to consumers. It met a host of community service obligations, including investments in underground power lines or relocation of power lines and participation in the Victorian government's 'Social Justice Strategy'.

The SEC-V was a healthy company. It was in the top 10 electricity suppliers globally for efficiency of resource use, as one electricity supply association study of 1000 utilities around the world found. It made a healthy profit in the year before it was broken up and sold off. (It paid \$995 million in interest, \$191 million dividend to the state government and made a profit of \$207 million.) And contrary to rumour, it was not burdened with debt. In the year before privatisation its debt-equity ratio was 342 per cent compared to the 382 per cent for the top 20 Australian companies on the Australian Stock Exchange.

Why was the SECV sold off?

'Project Victoria' was the initiative of two Melbourne-based, neoliberal think tanks (the Institute of Public Affairs (IPA) and the Tasman Institute) and some thirteen employer groups. Its aim was to develop a radical neoliberal agenda for the Kennett-led Liberal Party. The relationship between Project Victoria and electricity privatisation helps us to see what happens when neoliberal think tanks exercise undue influence over governments.

In 1992 the Kennett government took the advice of 'Project Victoria' and the government broke the SEC-V into five distribution and retail companies, five generation companies, and a transmission company. These businesses were all corporatised and then privatised between 1995 and 1999.

Premier Kennett argued that privatising

electricity was good because:

First ... state governments are severely stretched in terms of the revenue they collect. Second, governments have never been very good at maintaining the assets they own. Third, often assets owned by government form a monopoly. Monopolies ... can lead to inefficiencies, waste and increased costs. Competition with selected government assets can lead to lower costs, more regular maintenance, the adoption of new technology and the more accurate pricing for services. Finally, privatisation ... can often generate money that can be used to reduce debt, as we did in Victoria.

As research by the Australia Institute that has examined electricity privatisation shows, the privatisation designed to make the electricity sector more competitive has failed.

The results point to massive cost increases and major inefficiencies as a result of privatisation.

the cost of electricity has increased across Australia by 170 per cent

From 1995 to 2012 the cost of electricity has increased across Australia by 170 per cent, an increase four times higher than the rise in the consumer price index (CPI). This increase has occurred despite the industry being subjected to privatisation and corporatisation for the past two decades, a process that promised to increase efficiency and lower prices.

One major factor that appears to be involved in the increase in electricity prices is the productivity slump that has occurred in the sector since privatisation. Over the period June 1995 to 2012, productivity across all workers increased by 33.6 per cent, while in the electricity sector it declined by 24.9 per cent.

Privatisation of electricity in Victoria has also failed to deliver any increased generating capacity. Generator breakdowns are now constantly threatening blackouts, especially in peak demand times like cold snaps or heat waves.

PRIVATISING VICTORIA'S TRAINS AND TRAMS

Rail and tram services in Victoria were operated by government bodies for many decades into the 1990s. In 1993 the

Kennett government set about 'reforming' the system beginning with cutting the Public Transport Corporation's (PTC) workforce and operating subsidy. Then, following industrial action by unions in 1997, Kennett announced he would privatise the PTC.

The privatisation of both Melbourne's urban passenger railway and tram systems took place in 1999. This was done using a franchising model. Private franchisees of rail and tram services like V/Line Country, Bayside Trains and Yarra Trams were paid by the Victorian government to take over the operation of trains and trams as well as being offered subsidies.

The Kennett government outlined the objectives that would be achieved as a direct result of privatising the public tram and railway services:

- Improvement in the quality of service
- Consistent increase in patronage
- Minimising the long-term cost to the taxpayer
- Transferences of the risk to the private sector
- High levels of safety.

Most of these key reasons for privatising transport have not happened.

Paul Mees pointed out the key assumption made by the Kennett government, namely that private management would bring about a big increase in patronage and therefore of revenue, was never going to happen. In fact, as Mees shows, while all the private companies made enthusiastic projections about doubling their revenues by 2014, the actual increase in patronage was running at only 2% per annum for trains and 1% per annum for trams.

This is why the commitment to transfer all the financial risk to the private sector has never happened. Governments have repeatedly bailed out the various companies by, for example, paying \$5 million for cost overruns on the Box Hill tram extension and \$17 million for the Sydenham train extension. By June 2006 the privatised system had cost \$1.2 billion more in public subsidies than continued operation by the former Public Transport Corporation. By 2010 this difference had blown out to \$2.1 billion. By 2012 the Auditor-General confirmed that public transport would need an annual injection of \$3 billion if it were to cope with increasing demand.

Delivery of services and quality has also had mixed results at best. Initially, service quality appeared to improve over the first couple of years, but this was followed by a decline in 2003 and thereafter. According to the most recent Track Record 2013–2014, passenger satisfaction was recorded at 69.7%, which is almost identical to the results of the survey before privatisation in 1998. Equally, as the Auditor-General reported in 2012, public satisfaction with trains, trams and buses had declined after 2000. He found that all modes of public transport have regularly failed to meet government performance standards. The worst decline in satisfaction was for Melbourne's trains.

In the early 1990s Australia was one of the few countries in the world with a system of state-owned banks. The five states all had their own banks while the Australian government's Commonwealth Bank (established in 1911) was the biggest. All operated as conventional banks, though many had a special role in providing long-term, low-cost home loans. In the 1980s the State Bank of Victoria provided about a third of all Victorian home loans.

The privatisation of the Commonwealth Bank and the NSW State Bank has proved to be a financial disaster for the Australian public, although investors in the sell-off that involved offering investors shares in the bank did very well indeed.

Commonwealth Bank

1991 – First Tranche equals \$5 billion worth for the Bank as a whole

1993 – Second Tranche equals \$7.9 billion for the Bank as a whole

1996 – Third Tranche equals \$8.5 billion for the Bank as a whole

(all in constant 1995–96 dollars)

Compared to the average real annual profit over the period '88–'93 – \$11.2 billion for the Bank as a whole.

As the graph above shows, the total proceeds of the sale amount to \$7.8 billion, compared to \$11.2 billion based on stream of profits. Even if profits had not increased after 1993, the public would have incurred a loss of around \$3.5 billion from the privatisation. In fact, primarily because of the removal of restrictions on the monopoly power of the banks, profits have soared. Profits for the three years from 1998 to 2000 totalled \$5.4 billion or more than half the total sale proceeds received by the Australian public.

Since it was privatised, the Commonwealth Bank has behaved very much like conventional banks seeking out profits wherever it can, whatever the ethics involved. In 2013 it was reported, for example, that the Commonwealth Bank, along with the NAB, ANZ and Westpac, are leading lenders to the massive expansion in coal and gas shipments through the Great Barrier Reef, contradicting their own pledges to curb carbon emissions

and preserve sensitive environmental areas.

The requirement to pursue profits at any cost can also encourage predatory behaviour. The Commonwealth Bank has a financial planning agency, Commonwealth Financial Planning Limited. This agency has had to deal with persistent allegations of misconduct by its employees since 2008, including claims that they resorted to forgery and dishonest concealment of material facts. These allegations were investigated and found to be true. Only in 2104 did the CBA apologise and pay compensation to its clients.

State Bank of NSW

In 1995 the NSW Fahey government sold this bank to Colonial Mutual for the headline price of \$576 million. The headline price paid for the sale was quickly eroded by reimbursement payouts due to the condition that the bank would assume most of the risk of bad debts on a \$13 billion loan book. The net sale proceeds were as little as \$80–\$100 million. This was less than one year's profits.

*one of Australia's
worst financial
scandals of the last
century*

Bob Walker and Betty Con Walker argue that this sale 'deserves to be regarded as one of Australia's worst financial scandals of the last century'. The arrangements put in place meant that 'the State of NSW lost around \$2.5 billion' from the premature sale, concluding that the bank was 'sold at the wrong time', 'for the wrong reasons' and 'on the wrong terms'.

Before Colonial merged with the Commonwealth Bank in 2000, an Independent Expert's Report included a valuation of Colonial's banking business – which (apart from very minor investments in Tasmania and Fiji) was for all intents and purposes the old State Bank of NSW. The valuation, only four years after the state government's sale of the bank for what may be as little as \$80 million, was in the range \$2.5 billion – \$2.75 billion. In other words, NSW lost more than \$2.5 billion.

Conclusion

Apart from the loss of value in the sale process, there have been other major costs, not all of them purely economic. There are strong social, economic, accountability and control reasons for maintaining public ownership and the operation of a range of services. This is because quality public services are the foundation of democratic

societies and successful economies. They ensure that everyone has equal access to vital services, including healthcare, education, electricity, clean water and sanitation. When these services are privatised, maximising corporate profits replaces the public interest as the driving force. Privatisation is a dangerous trend that must be reversed.

They're privatising things we own together.
They're flogging off the people's common ground.
And though we're still connected by the weather
They say that sharing things is now unsound.

They're lonelifying all the public spaces.
They're rationalising swags and billabongs.
They're awfulising nature's lovely places,
Dismantling the dreaming and the songs.

Their macho fear of flabby, soft sensations
Makes them pine for all things hard and lean.
They talk of foreign market penetrations
And throbbing private sectors. It's obscene.

They're basically unloving types of creatures
With demons lurking underneath their beds
You'll notice that a necktie always features
To keep their hearts quite separate
from their heads.

So if they steal away the people's
treasure.
And bring the jolly swagman to his
knees.

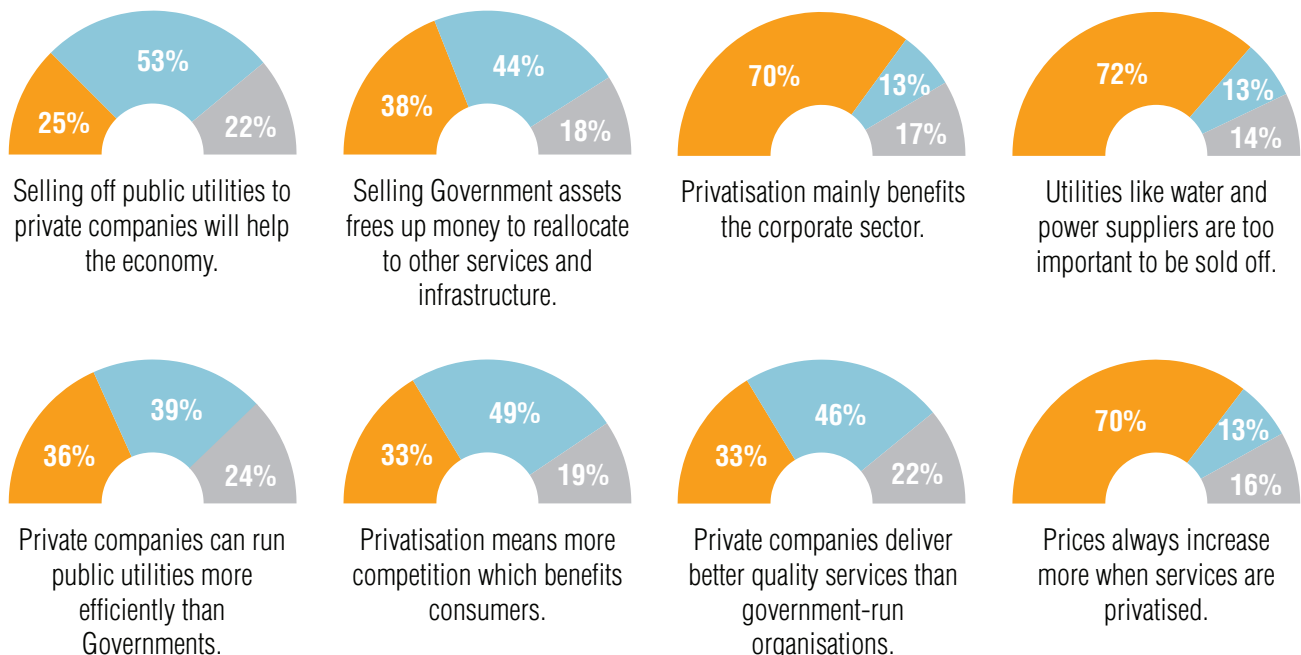
They can't remove the simple,
common pleasure
Of loathing public bastards
such as these.



What can be done?

It is pretty clear that after several decades, and in spite of much propaganda extolling the benefits of privatisation, most Australians have not swallowed the stories told by politicians and economists about the alleged virtues of privatisation. One recent survey (Essential Media Report February 2015) makes this clear:

*Q. Do you **agree** or **disagree** with the following statements about privatisation of Government-owned assets like electricity, water, rail, ports, etc?*



The advocates of privatisation have persistently offered nothing more than dogmatic assertions of faith in the market and appeals to fashion, based on the claim that since other countries are privatising, Australia should do likewise. As major economists like John Quiggin have shown, privatisation is a bad deal for Australian taxpayers.

The privatisation of electricity and public transport in Australia have been major failures. Electricity prices have risen dramatically. Removal of the secure, low cost supply to regional areas has hurt Australians living outside the major cities. The general costs of electricity have been inflated by the huge expansion in marketing and managerial costs. The privatising of trains and trams has been an equivalent disaster.

Clearly there is no easy or cheap path back from the mess that has been created by privatisation. This means making increasing changes to reverse the damage caused by the failure of privatisation. The major steps could include:

- nationalising the national electricity grid
- retaining and extending public ownership of distribution networks
- a mixture of generation, including public enterprise, private generating corporations and distributed generation by households and small business
- adopting new models of governance to replace corporatisation with a general public interest objective in place of profit maximisation under regulation.

Natural monopolies, such as water and sewerage, should remain in public hands. There is no advantage to be got from competition as different companies lay out competing and parallel water and sewerage pipes. If there is any value in competition this will occur between retailers. So too with telecommunications where exchanges, cables, wires, poles and the pits of the natural monopoly should remain in public hands to serve the whole of Australia, regardless of location or class. Opportunist businesses and investors should not be allowed to 'cherry pick' the most profitable part.

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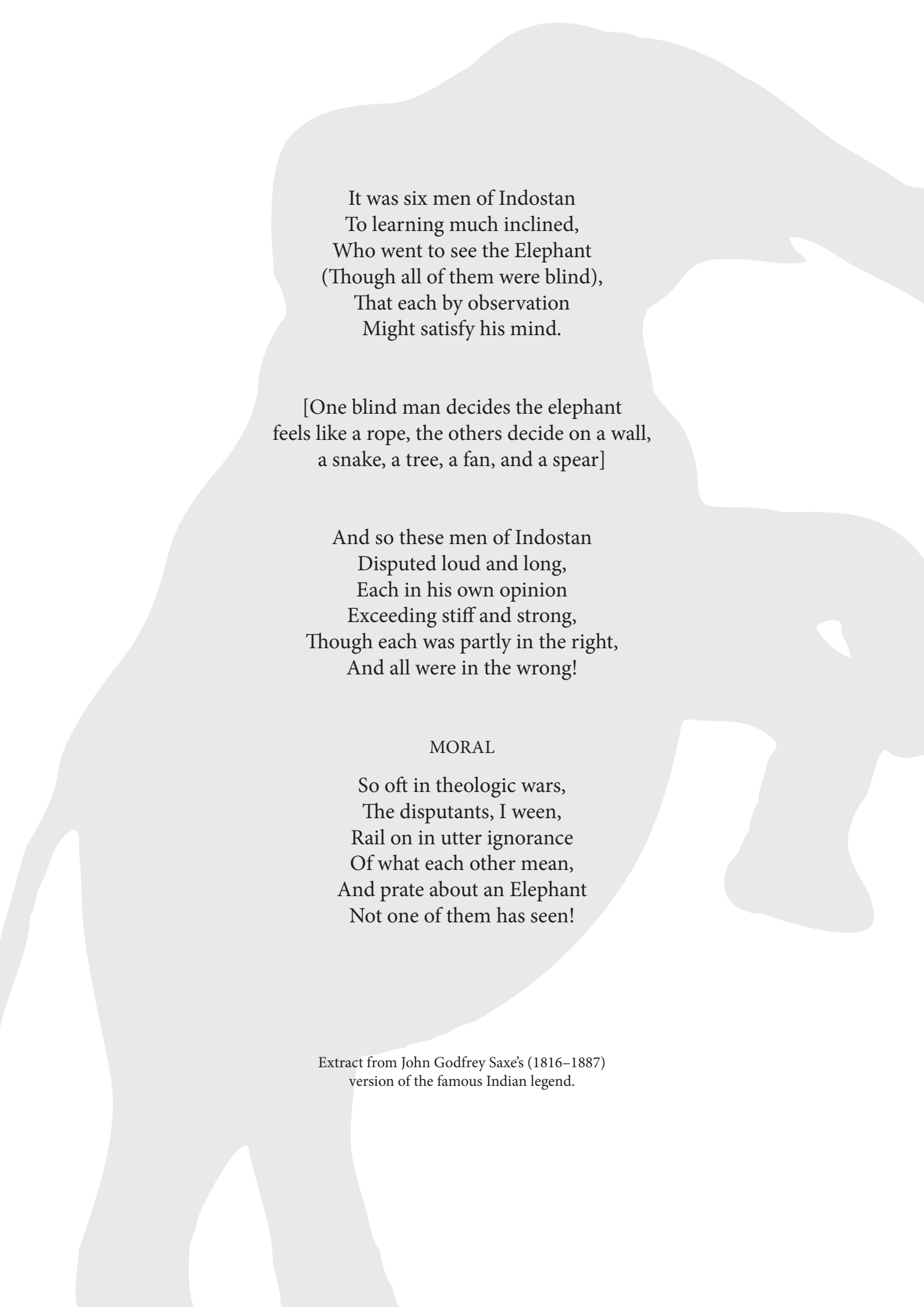
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It was six men of Indostan
To learning much inclined,
Who went to see the Elephant
(Though all of them were blind),
That each by observation
Might satisfy his mind.

[One blind man decides the elephant
feels like a rope, the others decide on a wall,
a snake, a tree, a fan, and a spear]

And so these men of Indostan
Disputed loud and long,
Each in his own opinion
Exceeding stiff and strong,
Though each was partly in the right,
And all were in the wrong!

MORAL

So oft in theologic wars,
The disputants, I ween,
Rail on in utter ignorance
Of what each other mean,
And prate about an Elephant
Not one of them has seen!

Extract from John Godfrey Saxe's (1816–1887)
version of the famous Indian legend.

