

# PIBCI - Monthly Perspective

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## Title: The ugly history of privatisation

For decades, the ALP and the LNP coalition have extolled the virtues of privatisation. Trumpeted as the solution to the ills of inefficient government monopolies, the privatisation revolution became a global craze as it went viral here in Australia in the 1990's. Waves of public asset sales handed over aged care, health insurance, childcare, gas and electricity, workers' compensation, banking, the airlines, employment services and vocational education to the private sector. Today, the privatisation of what little is left of publicly owned assets has virtually become a normal part of government. Since the acceleration of privatisation in 1990's, governments have continued to blindly divest themselves of essential public services and responsibility to the electorate. Governments of all shades and hues have employed a wide array of approaches that have facilitated privatisation in its many guises. Now that we are up to our necks in privatisation, what do we have to show for it all? Governments barely retain control over essential services, and have become dependant on the private sector to deliver public services. Massive profits have continued to roll into the corporate sector despite Australian's being left with plummeting service quality and rising prices. In the shadow of corporate profit sheets, deep cutbacks to employment have been followed by a vicious assault on wages and conditions whilst competition has been replaced with the monopolisation of services. It is apparent that the privatisation revolution has placed profit ahead of social responsibility to the public. How was social need replaced by private greed? And what do we need to do to reverse the rolling privatisation disaster?

## The many faces of privatisation

For decades, governments of all stripes and colours have been spellbound by neoliberalism. The shiny new ideology swept the globe in the late 1970's and 1980's on the promises of more wealth and a higher living standards. The proponents of neoliberalism eagerly trumpeted the benefits that privatisation would bring to society, whilst denouncing the ills and inefficiencies caused by large government-owned monopolies. The wonders of neoliberalism reverberated through the halls of corporate boardrooms, as the billionaire-owned media outlets amplified the miracles of privatisation. Governments eagerly embraced neoliberal policies and unleashed privatisation onto the community. Selling off

public assets commenced in earnest as publicly run services were transferred over to the private sector.

### The privatisation myth

Successive governments hyped-up the rhetoric that the private sector is more efficient, highly disciplined and better run than public services. The public were assured that competition amongst privately owned businesses, and market forces would lead to well-maintained services that would maximize the benefit to the public. Behind the push to privatise was the ideological conviction that the state should have minimal involvement in the affairs of the market, freeing up the business sector to do what it does best.

The supporters of privatisation cajoled the public into believing the privatisation was a superior approach to providing services to the public. Strategies by governments and the proponents of privatisation were employed to undermine existing publicly owned and operated services. Starved of resources, public services were underfunded. Destined to collapse due to overcrowding, understaffing and disrepair, the public sector was further undermining as governments either failed to support or adequately resource public service departments. Through government and the corporate-owned media, public services were criticised for being inefficient and expensive to operate. The reputation of the public sector was damaged as the supporters of neoliberal ideas highlighted that 'government monopolies' were anti-choice and had to go. As state and federal governments transferred public assets to the private sector, the good reputation of well-run publicly owned services slipped across to private companies. They took the credit for the good work and reputations established by the public service, and they benefit from existing public infrastructure that was essentially subsidised by the public.

With the die cast, governments across the world commenced a grand fire sale of public assets. Governments could not sell publicly owned services fast enough, as the private sector gorged on public assets and publicly run services usually at bargain basement prices. In Australia, the fire sale hit its peak in the 1990's. Political lines seemed to merge as Paul Keating's federal ALP and Jeff Kennett's state Liberal Party walked hand in hand as they privatised public assets.

### The variants of privatisation

Privatisation comes in many forms that extend beyond the transfer of public assets and to the private sector. Outsourcing of public services is wide spread in Australia as state and federal governments have eagerly entered into private contracts which have shifted single responsibility from government departments to privately run businesses. Public/private partnerships are another popular form of privatisation. This variant permits governments to insert corporations into the mix that provides services to the public. Privatisation also comes in the guise of tolls, rents, fares, fees and charges. This alternate form of privatisation is another avenue for corporations to implant themselves into the delivery of services to the public.

The many and varied forms of privatisation have provided manifold avenues for private businesses to insert themselves into the public service landscape. This has resulted in taxpayer funds being channelled into private hands, whether it be directly into the coffers of the private sector, or as corporate welfare through subsidies, or partial ownership of publicly funded infrastructure.

### **Welcome to the banquet of consequences**

The privatisation wrecking ball has continued to smash its way through publicly owned and operated assets for decades. However, two recent events have shone a bright light on how deep the damage caused by privatisation has impacted our economy, and our standard of living. The impact of the pandemic swiftly highlighted how our public services had been severely weakened by the practices of privatisation. This has been further exacerbated by linking the Australian energy market to global prices to turn a buck. Despite the abundance of Australian natural energy, the fluctuations in global energy prices are hitting negatively impacting the Australian public.

Privatisation has widened the cracks in our economy which more broadly flow over into society. Today, Australians have a front row seat at the banquet of privatisation's consequences. At one end of the table are the well-fed corporate sector who have profited immensely from the privatisation revolution. Meanwhile, the rest of the nation is left to pick over the bare bones of the little public assets left and dig deep into their pockets as prices rise, services decline and jobs hang in the balance.

## **Power and Energy**

Regardless of our nation's huge energy resources, and the record profits being made by gas and electricity suppliers, energy prices are on the rise. The conflict in Ukraine is a convenient excuse for the myriad of reasons that have led us the costly mess of privatisation. The overriding fact is that Australians have been witnessing energy prices ratcheting up for a while, and the spike in prices is flowing directly from Australia's privatisation of the industry, which is proving to be a colossal failure.

The proponents of privatisation have consistently served up promises that the transfer of public assets into private hands will eliminate bureaucracy, provide better service to customers and lower prices due to the discipline generated through the markets and the benefits that will be generated based on competition. Such promises have all but evaporated as energy bills rapidly increase.

Regardless of the historical high standard and low price for electricity in Victoria, the demolition of the State Electricity Commission Victoria (SECV) under the neoliberal agenda of Victorian Premier Jeff Kennett observed its separation into power generation, transmission and distribution in 1993. These segments were further broken up and sold during the 1990s. The federal ALP government further reinforced the drive to privatisation in 1993 when it prompted states governments to adopt a new national competition policy, under which increasing competition in the electricity industry was a top priority. As a consequence, the introduction of multiple companies to compete against each other to generate, transmit and supply electricity has cost Australians dearly. This complexity has been compounded by so-called regulators (Australian Energy Market Commission and Australian Energy Market Operator) which have left us with a concoction of rules and regulations that has led to a price increase by 170 percent on average between 1995 and 2012.

In the face of huge rises in power bills (gas and electricity), it is vital to note that the Australian Energy Market Operator (AEMO) is 40% owned by corporations who are meant to manage gas and electricity markets and systems to ensure affordability to Australians. It is unclear how AEMO, who is strongly influenced by corporations will place public interests ahead of profits and their shareholders.

Furthermore, the Australian Energy Market Commission (AEMC) is charged with establishing the rules within the market. Yet, they too are heavily influenced by foreign companies which transfer wealth overseas. Meanwhile the Australian Energy Regulator (AER) has the unenviable role of challenging such corporate giants who have billions in profit at stake.

The result of the privatisation since the 1990s, fanned by the previous LNP coalition government for nearly a decade has resulted in a colossal mess rapped up in layers of complexity that has culminated in a real drop in productivity, falling efficiency, plummeting customer service and a spike in prices, particularly in the eastern states where the regulatory arrangements are complex, convoluted, and weighed to benefit the private sector such as the big energy giants such as AGL, Energy Australia, Jemena and Origin.

### **Telecommunications**

The privatisation of telecommunications has also been an abject disaster, suffering a similar fate to that of power and energy. The major political parties introduced competition to telecommunications in 1991. Under a federal ALP government, AUSSAT (Australia's national satellite agency set up in 1979 that provided satellite telephone, telephone and other communication services) was sold. Optus appeared as a competitor to Telecom (which was renamed Telstra in 1993). Between 1997 through to 2011, successive governments reduced their stake in Telstra by selling it in a series of tranches. By 2011, the ALP government had completed what the LNP coalition had commenced – the privatisation of Telstra.

Prior to privatisation, the federal government was responsible for managing Australia's telephone network through the Postmaster-General's Department. In 1975 the Australian Telecommunications Commission (Telecom) took over the reins. Privatisation has introduced based on the usual promises of competition, efficiency, and better services. However, the benefits of privatisation have never materialised, as unnecessary complexity was overlayed onto the national telecommunications system. Today, we have the chimera of choice that essentially provides a common service that we all need, which is supported by a common technology and infrastructure. Privatisation has simply resulted in the spawning of several mobile phone companies, propped up by a convoluted system that is fluffed up by an overabundance of advertising and promotions telling us that that we are better off since we have an illusion of choice. In reality, we all pay for the glossy marketing materials. Since privatisation, has the nation's telecommunications improved? Or would we have been better off having kept it in government control? What is clear is that a wealthy modern

economy as ours is not matched by the infrastructure and the internet speeds that continue to fall behind many nations that struggle to provide even the basic services to their populations.

### **Vocational education**

Vocational education (VE) has suffered an intense assault that culminated in another privatisation disaster leaving VE battered and broken. The TAFE system remained in public control until successive funding cuts were unleashed in the sector between 2007 and 2016. During this period, TAFE funding was slashed by one third, as private operators were granted licences to operate as official trainers. Again, the proponents of privatisation recited their mantra assuring the public that private providers would be more efficient and more accommodating to student needs. Tall promises reverberated through government buildings and the media proclaiming that private providers would meet the needs of industry. Promises were made that graduates would slip into industry, or what we came to hear as students being 'Job ready'. Meanwhile, students lined up to pay for admission into the numerous privately owned boutique VE providers.

In 2012, the federal ALP locked in the private sector into VE. The ALP extended the HECS system, which further placed students in debt on the promise they would gain a qualification by enrolling in VE courses with public or private providers. The influx of students enrolling into VE significantly grew along with the huge increase of private providers estimated to grow by 333%. However, the expected efficiencies and productivity went into reverse, as training hours significantly declined. Providers cut back on overheads by delivered content online (well before this became the norm during the pandemic), providing scant training resources (eg. library books) and in some cases delivered opaque testing arrangements. Students frequently did not obtain the training, skills and qualifications they signed up for, and several major private operators collapsed, leaving thousands of students stranded and owing hundreds of millions of dollars to creditors (including the government).

Allowing private providers into VE opened up a can of worms. It undermining the existing TAFE sector, diluted the quality of teaching and attracted unscrupulous operators who accessed vast amounts of public funds. Such operators sought to leverage their profit margins by maximising students intake and minimising the costs of providing courses. In many instances, students were pressed through the private provider's sausage machine,

coming out with little training, few skills, and the burden a debt. Further gaping holes in the privatisation mess were identified in terms of the quality of curriculum and assessment being left to the new colleges to monitor. In effect, there were no minimum standards for entry into a course and no limit to the number of courses for which a student could sign up. The privatisation experiment in VE has been messy, costly and a waste of time.

## **Airlines**

Despite the Australian airline industry being in public hands since the end of the second world war, the sharp sword of privatisation slashed through the industry in 1993. The government-owned Qantas and Trans Australia Airlines (later renamed to Australian Airlines in 1986) dominated the airlines. The industry was primed for privatisation as Australian Airlines was merged into Qantas in 1992. In the following year, the federal ALP government sold Qantas, along with the privatisation of the airports, which the LNP coalition government completed in 1997.

In the following years, the airline industry underwent substantial change under the banner of privatisation. Fast forward to the pandemic, the privatised airline industry showed signs of buckling as the public stopped travelling. To counter industry concerns, the government opened the public purse and announced an initial bailout of \$715 million. The LNP coalition government handed a further \$165 million to Virgin and Qantas to ensure they would continue flying on key Australian air routes. As the federal government ripped into the public purse to keep Qantas afloat, the company posted a whopping \$1.3 billion profit in 2019. In the same year, its CEO, Alan Joyce took home a salary of \$23.9 million. As Qantas continued to gorge on approximately a billion dollars in public welfare, it shed 9400 staff, of which 2000 were unlawfully axed, which is subject to a high court challenge.

Whilst in private hands, Qantas has clocked up \$2 billion from the public in subsidies, fee-waiving and other forms of financial support. Meanwhile, it lags in paying tax. In return, the public has borne the brunt of plummeting service standards as customer dissatisfaction ballooned. Privatisation of the industry saw thousands of jobs slashed, and a culture of distrust and antagonism between management and staff. Whilst Qantas posted record profits, and the executive arm of management receives exorbitant pay packets and bonuses, thousands of airline industry workers have been dependent on the government's JobKeeper program during the pandemic. The private sector has been permitted to profit off tax-payer

funds, while the company's losses have been passed on to the government and taxpayers whilst thousands of its workers have been thrown into the ditch.

### **The list continues to grow**

As this edition of Monthly Perspective goes to print, the Victorian state government announced the partial privatisation of VicRoads. The state ALP government is luring the Victorian public on promises of discounted road safety and free licences for new drivers as they flog off part of VicRoads for \$7.9 billion to a consortium of super funds, Aware Super, Australian Retirement Trust, and global asset managers Macquarie Asset Management as part of the 40-year contract. History has demonstrated what we can expect from the privatisation of public services.

Governments continue to ignore the rolling disaster of privatisation and the widespread damage it has caused Australians. Waves of public asset sales, public private partnerships, tolls, and government subsidies for the private sector have placed essential public services into the laps of the private sector. Privatisation has gone well beyond power and energy, the airlines, telecommunications and vocational education. Like a virus, privatisation has entered the bloodstream of essential services attacking aged care, health insurance, childcare, workers' compensation, banking, public transport, and employment services.

To date, the promises of dispensing with lumbering giant government monopolies and replacing them with fast efficient privately run services is yet to materialise. The superior customer care fostered by competition and remains a pipe-dream as private monopolies have formed, thousands of employees have been sacked, and government dependence on the private sector has hit unprecedented levels. Client care is at all-time lows and prices have gone up while corporate profits have boomed.

### **What needs to be done**

Unpicking the mess created by decades of incompetence, cost cutting, rorts and sheer profiteering is no small task. This has been further compounded by the major political parties who continue to view privatisation as a modern-day wonder. However, history shows that the benefits of raising revenue from selling off public assets is short lived and creates problems for another government to deal with. The privatisation revolution needs a counter-revolution that includes fixing what has been broken, and promoting community public partnerships to the forefront.



### Fixing what has been broken

For too long, the public sector has been starved of funds and provided with inadequate resources to provide the public with essential services that meet a minimum standard of quality. The underfunding the public service has resulted in inefficient and ineffective services, thereby providing state and federal governments hell-bent on privatisation with the pretext to sell off public assets. Clearly, the public service needs to be adequately funded and supported by state and federal governments so it may deliver a high quality of essential services to the public. Taxes need to be ploughed back into the public service, and governments need to once again, take responsibility for essential services, rather than simply administer contracts to private service providers. In effect, government needs to be more accountable for the services that are provided to the public. They need to be more transparent to the electorate. Furthermore, public services need to be more democratic relying on high levels of public participation in their delivery. Such services need to be more environmentally sound and more secure for their employees. This can only be done by reversing the deleterious approach that governments have taken for over forty years.

### Community public partnerships

Community public partnerships are a locally based approach that can provide essential services to the community. This viable option provides the community with the means through government finance to mobilise the community to develop and deliver essential services to a geographical area based on a community's specific circumstances, and fosters a customised approach to service delivery. This approach is a positive means to both engage and empower the community to coordinate its essential services (such as power and water).

## **Next steps**

It is abundantly clear that privatisation in its many and varied forms has simply benefited corporations and their shareholders. For decades, the privatisation revolution has slashed a hole in the fabric of our economy and deepened state and federal government dependence on the private sector to deliver essential public services. Regardless of the wreckage caused by privatisation, the major political parties have blindly followed the neoliberal agenda as privatisation has resulted in chaos, cost blow-outs and plummeting customer services. Privatisation has not brought in innovation, better expertise, and improved services. Nor has it improved efficiencies, price drops and more jobs. In general, it has done the complete opposite.

If we are to improve essential public services, we need to secure them so they serve the needs of the community, and not provide a means for corporations to increase their profits at the expense of the public. Alternative service delivery models need to be developed and implemented within local communities. Public services need to be restored and adequately funded and supported so that Australians have the services they deserve.

By joining PIBCI, you can help us to develop and implement an alternative approach that calls for an end to the privatisation revolution. By building awareness of PIBCI amongst your friends, family and work colleagues, you are helping to get the message out that there is a viable alternative to the political status quo.

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