RESEARCH REPORT 12: ICE TO THE ARCTIC; COALS TO NEWCASTLE

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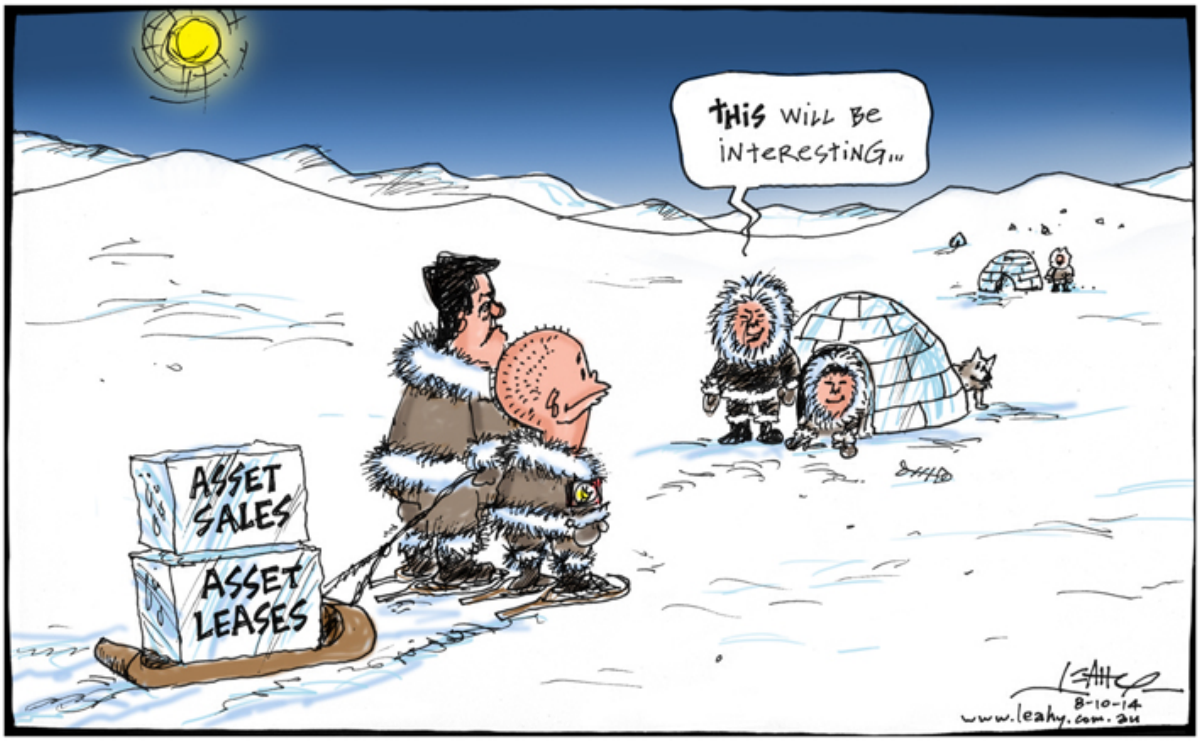

Cartoon reproduced courtesy of the artist, Sean Leahy

Privatisation is straight economic theory: neo-classical belief that the market knows best combined with the public choice assumption that governments are inherently inefficient. It is a matter of dogma that the private sector will always do a 'better job' of operating electricity, railways, buses, postal services, ports, hospitals, whatever.

This begs questions of what is a 'better job' and of how much faith we should put in the private sector and in markets. Orthodox economics separates the economy from society and the environment so that matters like inequality and environmental degradation, even if acknowledged, are secondary.

The Queensland Government in 2014 argues that privatisation is needed to reduce government deficit and debt and provide funds for 'new' infrastructure. It also says that '*leasing*' public assets is different to '*privatisation*'. Politely, this is sophistry; more bluntly, it is spin.

The reasoning is very shallow. Debt needs to be set against future income flow. Handing flows of profits to a private owner (or a 'public' owner such as a superannuation fund) reduces the future capacity to invest. Likewise, if new infrastructure is 'economically' justified then it can pay off borrowings.

There are a host of good reasons for public utilities including:

- Ensuring all citizens have adequate access to basic utilities and services - for example privatisation of water in the UK led to public health problems when some people did not have access to water for toilets and washing.

- Economic and social development - railways and irrigation schemes are a prime examples where public spending created opportunities.

- Keeping 'natural monopolies' in public ownership means that the public benefit from the rents (super profits).

- The public sector can do things that are too risk and innovative for the private sector - a good current example is the development of renewable energy

- Ensuring the highest standards of services with backup for emergencies and natural disasters

- Public utilities provide a base for other industries and for higher levels of skills and technology - for example, public utilities and services have been important sites for trade and technical training; they can also be models for good employment practises such as addressing gender and other inequities.

One function of social democracy is to protect citizens from the excesses and deficiencies of the market. Public utilities and services are an essential part of this and the members of well functioning communities have considerable pride and trust in their public assets. Yet there can be deficiencies. Public utilities have not necessarily been 'nimble'; big electricity, for example, has pushed fossil fuels and has not taken climate change seriously enough nor supported the shift to local and micro-grids.

We must acknowledge that Labor has 'form' on privatisation and marektisation. Thus, in the early 1990s Wayne Goss and Keith De Lacey mimicked the Greiner Government of New South Wales and visited *corporatisation* on Queensland. This increased the pay of senior management, renamed train travellers as *customers* not passengers, (likewise university students became '*clients*') and increased the money spent on consultants and consumer satisfaction surveys. Almost all the 'efficiencies' came from cutting the number of people employed.

We still face an ersatz set of changes where style has triumphed over substance. Sean Leahy's cartoon is very pertinent. Painting the coal white will not make it easier to sell in Ipswich or Murwillumbah; offering free steak knives will not sell ice in the arctic. Dressing up privatisation as a 'long-term lease' cannot hide the distinct likelihood that a few financiers will get the people's assets at a knock-down price.