

Chris Aulich's article, 'Asset recycling scheme looks more like policy recycling', published here recently showed that the presumed benefits and costs of privatisation tend to be related more to ideological preferences than any other factor. Despite the heavy sell from government, reflected in the Courier Mail, it is not at all clear that there is any public benefit in 'the sale of the century' emblazoned in the headlines. The main beneficiaries will be the private sector employers who will be motivated by the desire to maximise returns to their owners and shareholders.

What can the empire loyalists learn from this?

The piecemeal privatisation of the British rail transport system has been a slow-burning fuse in British politics. Customer dissatisfaction has been generated by the combination of rising fares, inferior service levels and huge profits flowing to the new private sector owners of some of the pieces of the network. Legal complications led in one case to the government re-nationalising one piece of the operating network to avoid the consequences of legal challenges from a competing private company operator disputing the fairness of the mechanism for allocating franchises. Giving continuing public disquiet, this process of 're-nationalisation' by stealth has grown into a policy option which favours the whole network being available for re-purchase by the government as the various franchises fall vacant and come on 'the market'.

However there has been a major and immediate scandal created by the Cameron government's pursuit of the Royal Mail as a target for privatisation. This was framed against a background where monopoly rules had been waived over a long period and private sector providers had emerged to exploit the most profitable aspects of the range of services currently provided. There are immediate echoes with the Australian scene in terms of 'cherry-picking' by private sector agencies free from any community obligations such as serving remote or economically deprived areas.

The British scandal flowed from the give-away price set for shares in the private-sector version of the Royal Mail. Various promises were made by the Chancellor of the Exchequer, George Osborne, as the Minister in charge of the process, about the maximisation of the return to the community generated by the proceeds of the sale. These were given prominence in the debate generated by union complaints about the loss of public employment opportunities and the consequent threat of industrial action. The government argued that there might be some temporary pain felt by the union-membership minority but greater benefits would flow from the public's opportunity to buy shares. The government promised - as any privatising government promises - that a fair price for the asset would be charged for the asset being sold and the income would generate maximum public benefit for taxpayers by paying off debt (which is much more burdensome in Britain).

In practice, the promises were shown to be absolutely worthless. The price set was wildly below market expectations, so taxpayers effectively gave up millions of pounds' worth of assets to private owners. In addition, only a small percentage of the shares became publicly available. Very few flowed as intended into long-term investments of organisations backing superannuation funds - the bulk of the shares ended up in the hands of venture capitalists. Many of them promptly made a killing and then sold the shares on at a much higher price. It also turned out that the price-settling was entrusted to a major London financial organisation (Lazards) which did not feel the need to inhibit its own venture capital branch from getting a share of the action.

This scandal is coming to light because of the strength of the parliamentary committee system, with two separate committees involved - one on Public Accounts and the other on Business. After much effort to conceal them, the names of a group of 16 specially favoured 'advance purchasers' came to light and gave the lie to the government's original claims about their impeccable commitment to long-term benefits.

Writing in 'The Independent' on 2 May 2014, Chris Blackhurst reflected on the change of circumstances of Vince Cable, once a leftish-greenish member of the Liberal Democrats and

transformed in coalition into Business Secretary. 'If Cable had still been on the opposition benches, I suspect he would have argued (for greater control and supervision). I believe, he would have gone further, accusing the Government of "not getting" the City, of being blinded by smooth-talking bankers and brokers, and not seeing the reality , and the potential political fallout.'

Given the extent to which governments in both Brisbane and Canberra dance to a similar tune, this is indeed a cautionary tale. Given their own advisers have similar backgrounds in business, then Newman and Abbott also seem to be willing to wear the short-term consequences of political fallout in return for rewarding their sponsors and supporters by selling them 'the family silver' owned by taxpayers in a bargain-basement 'sale of the century'.