



**ASU –Submission
Public Services International (PSI) Australia**

Peoples' Inquiry into Privatisation

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About the ASU

The Australian Municipal, Administrative, Clerical and Services Union (ASU) is one of Australia's largest unions, representing approximately 135,000 members. The ASU was created in 1993. It brought together three large unions – the Federated Clerks Union, the Municipal Officers Association and the Municipal Employees Union, as well as a number of smaller organisations representing social welfare workers, information technology workers and transport employees.

Today, the ASU's members work in a wide variety of industries and occupations and especially in the following industries and occupations:

- Local government (both blue and white collar employment)
- State government
- Social and community services, including employment services
- Transport, including passenger air and rail transport, road, rail and airfreight transport
- Clerical and administrative employees in commerce and industry generally
- Call centres
- Electricity generation, transmission and distribution
- Water industry
- Higher education (Queensland and South Australia).

The Union has a long history of involvement in the electricity industry and water industry. That history reaches back through our local government heritage - with local government involvement in water supply going back to 1871 and electricity from the mid 1890's. We are a community-based organisation that continues to maintain a strong interest in local government, state government and the privatised industries.

The ASU has members in every State and Territory of Australia, as well as in most regional centres. Our members tend to live in the communities where they work.

In both urban and regional areas, the local council is often the largest single employer; therefore, uncertainty has significant economic impacts locally. The economic interests of Australian urban, rural and remote communities need a resolution.

Therefore, ASU advocacy extends beyond negotiated industrial outcomes for members. The ASU has a true commitment to the local government industry with a proud history; since 1871, of representing employees and that has a far-reaching effect on the sustainability of all communities.

Terms of Reference

Public Services International (PSI) Australia has asked the panel chaired by David Hetherington to consult and report on the issue of privatisation in Australia.

‘Privatisation’ is the transfer, in whole or part, of public assets and/or service provision from the government to an entity outside the government. Privatisation includes the outsourcing of service delivery, sale of public assets, ‘user choice’, voucher systems, public-private partnerships, commissioning, social impact investment, and mutualisation.

PSI Australia notes that extensive Australian and international literature on the effects of privatisation have shown that privatisation in reality has failed to improve the efficiency and quality of government entities and services. As such, PSI Australia has initiated a public inquiry to build a comprehensive national picture of privatisation and its impacts, and to report on alternatives to privatisation.

The inquiry panel has been asked to consider:

(a) The cases of privatisation in Australia

(b) The drivers/causes of privatisation in Australia

(c) The impact of privatisation on:

1. the quality and efficacy of public service delivery
2. service delivery to vulnerable populations in the community
3. public service capacity and capability
4. ministerial accountability
5. transparency (including, but not limited to: ‘commercial in confidence’ provisions in contracts, supply chain details, company ownership and governance structures, employment practices, tax practices)
6. the wages and conditions of ‘privatised’ workers
7. costs to government, compared with publicly-owned services
8. costs to the service-user, compared with publicly-owned services
9. regional and remote communities
10. not-for-profit organisations
11. relevant international human rights and labour standards

Introduction

The Australian Services Union welcomes the opportunity to make a submission to this important Public Services International (PSI) Australia inquiry. Our submission will provide general views on a number of issues relating to privatisation in Australia. Specifically, we will make comment on the impact of privatisation in relation to:

- Quality and efficacy of public service delivery
- Public service capacity and capability
- Transparency
- Costs to government, compared with publicly owned services
- Regional and rural areas

The Union is aware that community opposition to privatisation has evolved as a result of experience and evidence about the impact of privatisation on assets and services which have been valued by the public. For example claimed cost savings from privatisation have often proved to be illusory in the long run. In cases where saving do exist, they are often accompanied by a range of negative consequences.

A more recent strategy used to try to persuade communities to agree to privatisation, has been to link together the issue of asset sales with the need for new infrastructure investment – sometimes with added financial incentives promised by politicians. This form of coercion is particularly insidious when it involves a process that is truncated into a relatively short time frame, couched in rhetoric highlighting the ‘urgency’ of the process and accompanied by threats of disadvantaged treatment if the privatisation strategy is not met with support.

Whatever strategies are used to over-ride community opposition to privatisation, they merely indicate the extent to which those governments are out of touch with communities and the impact that privatisation has already had.¹

¹ Mike Secombe, ‘Sell! Sell! Sell!’, *The Saturday Paper*, 4-10 October 2014 p8.

The impact of privatisation in Australia

Quality and efficacy of public service delivery

Australia has had a proud history of public service delivery and the public sector has had a significant role in building important infrastructure for the nation. In the formative years of infrastructure development in Australia, key decision makers (including colonial governors and later elected governments) had the foresight to recognise the importance of investment in large infrastructure projects.²

Over time, the provision of important services such as waste removal and the provision of fresh water to key population centres, helped to dramatically improve the health and life expectancy of growing populations. As technology developed, energy and gas supply became essential to modern living. Many of these valued services and assets have characteristics of natural monopolies - with high capital costs, significant market size and technological costs which would restrict competition or make competition undesired.

Professor John Quiggin, University of Queensland³ made the following observation:

*While the ideology of privatisation is almost universally accepted among the policy elite and in the financial sector, it's the reverse of the view that prevailed in Australia for most of our history, and worked well enough to provide us with the assets we are now arguing about.*⁴

An Australian Services Union publication, titled *The Privatisation Betrayal*, noted the following:

A well-resourced, quality public sector has an important role to play in sustaining living standards and helping to build fairness and socially inclusive societies. Below is a list of some of the advantages of having public sector ownership and operation of assets and activities:

- Maintains the reach and influence of public policy and democratic influence
- Maintains service delivery in response to market failure
- Safe guards the public interest e.g. where there are natural monopolies and the capacity to set high prices

² For example see discussion on website of Australian Government, Department of Infrastructure and Regional Development, 'History of Rail in Australia', <<https://infrastructure.gov.au/rail/trains/history.aspx>>.

³ Professor John Quiggin is an Australian economist, and an Australian Research Council Federation Fellow and a Laureate Fellow at the University of Queensland.

⁴ John Quiggin, 'Privatisation is not a magic pudding', 22 August 2014, <<http://johnquiggin.com/2014/08/22/privatisation-is-not-a-magic-pudding/>> accessed 16 October 2014.

- Provides a stable source of revenues from government businesses which have characteristics of natural monopolies
- Provides capacity for wealth and resource redistribution where needed
- Is a more direct means of achieving social objectives and more resilient communities
- Avoids consumers being exploited by private sector control of monopolies providing basic services
- Can enable fair minded governments to set standards for employment practices, anti-discrimination and equal opportunity
- Can enable the planning for better integrated services without being derailed by competitive concerns of different units seeking profit for private owners
- Can enable a focus on safety issues as needed
- Enables public accountability and scrutiny instead of hiding things under “commercial confidentiality” clauses
- Allows flexibility to adapt for emergency community needs instead of sticking to limits of contractual clauses
- Enables long term investments in local infrastructure as opposed to profits shifting out of the nation
- Fosters the valuing of traineeships and staff development with a focus on quality outcomes
- Easier to regulate with checks and balances in place (compare to difficulty in regulating multinational corporations whose key interests are not with local communities)
- Knock-on longer term social benefits of a fairer society will cause less economic burden on the public purse in the longer term⁵

The Australian Services Union is of the view that the rationale for government ownership and provision of a range of assets and services remains strong. This is particularly the case in relation to essential services needed by communities. Public Services International expressed the importance of quality public services in the following way:

*Quality public services are the foundation of democratic societies and successful economies. They ensure that everyone has equal access to vital services, including health care, education, electricity, clean water and sanitation. When these services are privatised, maximizing corporate profits replaces the public interest as the driving force. Privatisation is a dangerous trend that must be reversed.*⁶

⁵ Lyn Fraser, *The Privatisation Betrayal: Losing the things we value*, Australian Services Union, Carlton South, Vic, 2015, p7, available on the ASU website <<http://www.asu.asn.au/resources/publications>>.

⁶ This broad statement appears on the homepage of Public Services International. This is an organisation to which the ASU is affiliated. See the PSI website, < <http://www.world-psi.org/en/issue/privatisation> > accessed 16 September 2016.

Public Service capacity and capability

In many respects the privatisation of assets and services (as well as the preparation for such privatisations) can have a long term detrimental effect on the capacity and capability of the public sector. This is because of a number of reasons, such as the following:

- after initial one off injection of funds from the sales of revenue generating assets, the process can lead to a reduction in public sector finance – increasing pressure to cut public services and reduce the capacity of the public sector;
- taxpayers are often not well serviced by the privatisation as claimed benefits of the process do not materialise;
- the privatisation of essential services and natural monopolies leads to a loss of control and accountability, diminishing the influence of public policy, social and environmental objectives.

Public sector assets which are natural monopolies or have oligopolistic structures should be considered particularly unsuitable for competitive markets and privatisation for a number of reasons. Experience has indicated that the market power gained by the private owner would give them the capacity to abuse their position against the public interest. This can be particularly problematic where regulation is weak – as spectacularly demonstrated by the unethical activities and ultimate crash of the USA energy giant Enron.⁷

‘Essential services’ as their name implies, are basic for public needs. Today, the type of items which members of the public may considered ‘essential services’ may include infrastructure relating to water, sewerage and electricity.⁸ However, it could be argued that there are various other services which are also considered essential in a modern society.

Because of the essential nature of such commodities, governments tend to be committed to ensuring that such service provision is of a certain standard of quality and reliability. It is understandable that they should want to reduce the risk from significant disruptions to supply. Public sector management and control of such assets have been critical and played a significant role in the health of the community and the strength of the national economy.⁹

⁷ See Investopedia ‘Enron Scandal: The Fall of a Wall Street Darling’, August 18, 2016
<<http://www.investopedia.com/updates/enron-scandal-summary/>> accessed 20 September 2016.

⁸ NB this definition here in this document is not used in the narrow legislative sense as defined in various Essential Services Legislation but in a broader sense of common usage.

⁹ For example, the introduction to waste collection and street cleaning services in urban environments are reputed to have had a considerable impact on the decline of disease for example see historical notes, City of Sydney Council website, ‘Minding the Streets’;
<http://history.cityofsydney.nsw.gov.au/sydneystreets/Minding_the_Streets/Street_Cleaning/default.html>.

If private corporations are allowed to take ownership and control of these important assets, they can be fairly confident of secure income streams and a relatively influential position in the economy. Knowledge that governments do not want market failure to take place, also provides the private company with some leverage with the governments, as well as significant market power.

Corporations, which gain control over assets or obtain contracts for services in areas of natural monopolies, can further strengthen their market dominance as they drive away competition or absorb competitors to form even larger conglomerates.¹⁰ Whilst natural monopolies (such as electricity generation, transmission and distribution) have been subject to competition and privatisation in various nations, it has been with considerable risk and cost to governments and their populations.

In many respects the privatisation of essential services is poorly conceived policy. Indeed, Professor John Quiggin goes further and refers to the high rates of return for the low investment risk in the privatised electricity industry as “unjustifiable and irresponsible”¹¹

State government asset, in the provision of essential services, help ensure reliability of service and tends to enable long term financial returns for the states which exceeds the sale value.¹² Strategies designed to encourage their sale to private enterprise are therefore somewhat misguided.

In relation to electricity assets, many studies have demonstrated that taxpayers gain more economic benefit from public ownership compared to the returns received from the sale of these assets. For example we note the study by John Quiggin¹³ who wrote a comprehensive study of *electricity privatisation in Australia*.¹⁴ Professor Quiggin provided evidence of the spectacular failures of free-market electricity reforms in Australia. Most notably, his report revealed:

- increased prices being paid by consumers, particularly in states where privatisation has taken place ;
- increased consumer dissatisfaction about the quality of the privatised services
- declining reliability
- failure to deliver efficient investment (in Victoria this resulted in avoidable blackouts)¹⁵
- failure to deliver anticipated operational efficiencies as resources have been diverted away from operational functions.¹⁶

¹⁰For example discussion by Lyn Fraser, on the privatisation of waste management services contains relevant discussion on this topic in the publication, *Competitive Tendering and Contracting-out of Local Government Services in Australia*, Discussion Paper No. 26, Public Sector Research Centre, University of NSW, 1992, section titled ‘Strategic Behaviour of Private Contractors’ on p9f

¹¹John Quiggin Opinion and Consulting, *Electricity Privatisation in Australia: A Record of Failure*, Report Commissioned by the Victorian Branch of the Electrical Trades Union, February 2014, <https://www.etuvic.com.au/sites/etuvic.com.au/files/etu_electricity_privatisation_report-lr.pdf > accessed 16 December 2014. p5

¹² Dr Phillip Toner, *Electricity Privatisation in Australia – A briefing Note*, October 2012.

¹³ John Quiggin Opinion and Consulting, Op. Cit.

¹⁴Ibid.

¹⁵ Ibid p7.

¹⁶ Ibid. p5.

The study included a fiscal analysis of electricity privatisation in each state. As part of this study, Quiggin analysed developments in NSW electricity over recent decades and drew a number of conclusions from the data. For example, in relation to the transmission and distribution sector, Quiggin's February 2014 report confirmed the economic benefit of the retention of this sector under public ownership. He stated at the time that:

The value of transmission and distribution assets is estimated at \$35 billion, implying that the decision not to sell has left the NSW public better by more than \$10 billion.

In this 2014 study, Quiggin also explored evidence of the financial disadvantage faced by states that privatised their electricity sectors in the 1990s (Victoria and South Australia) compared to those that retained their public ownership at that time.¹⁷

Quiggin's extensive study concludes that:

*Privatisation has produced no benefits to consumers, but has resulted in large fiscal losses to the public.*¹⁸

This position is similar to that expressed by Dr Phillip Toner in his analysis of the electricity industry. Toner also notes the benefits of retaining ownership where state government is itself a major consumer of electricity. He noted:

*By retaining the assets government effectively internalises the expenditure and revenue to the direct benefit of taxpayers. By retaining the assets not only is government increasing its revenue base... It is also adding significantly to growth in its net asset base by helping to pay off infrastructure investments.*¹⁹

Concern about the undervaluing of assets in the lead up to privatisation is one which has also received academic consideration and drawn the critical attention of the media and the public. For example, The Saturday Paper published in October 2014 which noted:

*"One study by Bob Walker, professor of accounting at Sydney University, and Betty Con Walker, an economist and former treasury official, which compared the share values post-privatisation to the float prices, reckoned Commonwealth privatisations alone were \$43 billion undervalued".*²⁰

The undervaluing of assets within any privatisation process is a particularly disturbing means of betraying the taxpayers who helped to build the assets in the first instance. But despite the academic

¹⁷ Ibid. p7.

¹⁸ Ibid p39.

¹⁹ Toner, Op Cit, p6

²⁰ Seccombe, Op. Cit..

research reports and community opposition to privatisation, various governments have continued to push privatisation measures in a number of areas including essential services.

Transparency

Within the domain of the public sector there are a number of measures designed to safeguard the public interest. Democratically elected governments are accountable to voters. Their decisions can be open to public scrutiny and demands are made for transparency in public disclosure on matters of public concern. Where transparency and open government is inadequate, the politicians leave themselves open to criticism and an electoral backlash.

However, it must be emphasised that an active, aware citizenry is critical to ensuring the health of our democracy. Civil society (including the Union movement) has an important role to play in pushing for increased transparency and accountability, particularly in relation to issues which can have long term impacts on the nation – such as the privatisation of key assets.

Privatisation negatively affects the public interest by reducing public scrutiny, transparency and accountability. Taxpayers cannot vote out the executives of private corporations who make decisions against the public interest. Private firms are not subject to the objectives of ‘open government’. Private corporations have been shown to hide behind ‘confidentiality clauses’ and various mechanisms aimed to safeguard them from competitors, loss of ‘trade secrets,’ potential profit loss as well as public criticism.

While government documents may be available through record requests, private companies can block access to a wide range of information by claiming it has a proprietary status.²¹

In addition, privatisation does not protect taxpayers in the event that private corporations (such as electricity providers) go bankrupt or threaten bankruptcy. In such cases the government would have to make difficult decisions which may include becoming a temporary lender of last resort or buy back the assets – presumable after a period of non-supply or the threat of non-supply.

There are times when democratically elected politicians flout their obligations to the community and assist private profit makers. They may do this by making privatisation decision behind closed doors and later presenting the privatisation strategies as ‘done deals’ in the face of community opposition.

Another way of expanding the role of private profit making firms while inhibiting democratic accountability has also been done through the inclusion of Investor State Dispute Settlement (ISDS) provisions in Free Trade Agreements. Global experience of the use of ISDS provisions has indicated the

²¹ For example, see discussion provided through the website of the resource center called In the Public Interest (IPI). This is a Washington based resource center on privatisation and responsible contracting. Note in particular section on Accountability and Transparency, < <http://www.inthepublicinterest.org/problem/accountability-and-transparency> > accessed 20 January 2015.

readiness of wealthy corporations to use ISDS provisions against the interests of communities and nation states. Trade deals can complement national privatisation measures to reduce responsiveness to the needs of citizens and override their democratic rights in the interests of profit reaping.²²

Inadequate regulation and lack of transparency, prior to and after the privatisation processes, can make it more difficult to expose corruption, environmental damage and questionable accounting practices. But many politicians have experienced the brunt of an electoral backlash as a result of their failures.

However, it is also the case that some efforts to regulate as a means of clawing back some semblance of important control and accountability measures (which previously existed when the assets were within the public sector domain) can become complex and fail to achieve their goal. On this point, Dr Phillip Toner of the University of Sydney summarised the problem in the following way:

Given these industry characteristics [of natural monopoly and oligopoly] privatised electricity markets, in Australia and globally, are subject to government regulation. Ironically, much of the regulation is designed to replicate the type of co-ordination of supply and demand; forward planning and standardisation of infrastructure design and investment that existed under direct vertically integrated public ownership of provision. Moreover, such regulation is intrusive and costly to administer. It is also only partially effective.²³

When public assets in Australia are put up for sale it is often the case that, control and ownership will eventually end up in the hands of multi-national corporations or foreign state owned companies (for example in Victoria the majority of electricity networks are now owned by Singapore and Chinese Government-owned entities.²⁴

Whilst some corporations may act responsibly, others have found ways to dodge their fair share of taxes, engage in anti-competitive practices and other activities which are not adequately taken into hand by ill resourced regulators whose powers may be too limited. Indeed, it is astounding that corporate questionable activity can be assisted by cuts to public service areas involved in research, monitoring, regulatory, compliance and enforcement activities. Whilst such cuts are conducted under the guise of 'reducing red tap' or 'cutting wastage' they allow further gaps to emerge which make transparency and control issues more difficult. These corporations, and the politicians who support them, need to be called to account for their actions.

²² In Australia such provisions are being included in Trade Agreements by the current Coalition Government. For information about the dangers of these provisions to Australian interests see the website of the Australian Fair Trade & Investment Network Ltd, (AFTINET), <http://aftinet.org.au/cms/>

²³ Toner, Op Cit. p3

²⁴ See discussion in John Quiggin Opinion and Consulting, Op Cit. p7.

In contrast to the approach of ‘privatise and later try to adjust and regulate to compensate for the failures’, the Union reiterates the view that the rationale remains strongly in favour of maintaining government ownership of valued assets. Similarly, efforts to assist competition and the privatisation process which involve the jettisoning of broad commitments to local communities are a betrayal of the communities.

While writing this submission, it has been evident that Australian governments are continuing to sell services and assets which have been real money spinners for government budgets year upon year. These include agencies which have an important role in collecting and holding critical information which needs to be securely held for the benefit of the public. For example, the Commonwealth Government has the Australian Securities and Investments Commission (ASIC) within its sight for privatisation. This agency has been touted as a “\$700m cash cow” by the media.²⁵ It has an important regulatory role as well as being a register of ‘public’ companies. Community concerns about the sale include fears that service prices will increase and transparency will become more limited than it currently is, in addition the privatisation would undermine a range of law enforcement activities.²⁶

²⁵ For example see Anthony Klan, “For-sale public companies register a \$700m cash cow”, *Australian*, 13 September 2016.

²⁶ Gareth Hutchens, “Selling off ASIC’s trove of company data ‘would hinder tax enforcement’”, *The Guardian*, 18 August, 2016, <https://www.theguardian.com/australia-news/2016/aug/18/selling-off-asics-trove-of-company-data-would-hinder-tax-enforcement> accessed 23 September 2016.

Costs to government, compared with publicly-owned services

Political rhetoric about the advantages of increased competition and privatisation tend to rely on economic theory of perfect competition and the ‘invisible hand’ guiding rational self-interest to achieve optimal outcomes. However when applied in arguments to advance the privatisation of many valued public assets, the arguments are more faith driven than based on evidence. Textbook models of perfect competition are based on a number of assumptions. These include assumptions about the availability of numerous potential suppliers; absence of risk; free entry and costless exit of suppliers; in addition it assumes that consumers are perfectly informed of their options. Most, if not all, of these assumed elements do not exist in many of the circumstances in which competition policy and privatisation processes have been initiated in public sector essential services (such as in the electricity industry).²⁷

The appearance of benefit derived from a one-off sale of an asset (or leasing to the private sector) needs to be compared to the loss of long term benefit which would normally derive from continuing public ownership and control. Privatisation through the sale of public assets, particularly essential services and infrastructure, cannot be adequately justified on economic grounds or the public interest.

Whilst privatisation may provide an initial injection of funds into the government coffers, it does not solve the problem of funding shortfalls for infrastructure in the longer term. Indeed it can make the situation significantly worse. There are a number of reasons for this and the following comments will explore some of these elements.

Many public assets generate ongoing income streams by way of dividends to government for redistribution or re-investment and upgrading. When a state owned corporation is privatised, the state loses the dividends.

In addition to these dividends, state governments derive benefit from notional tax equivalents paid by the state-owned enterprises under the National Tax Equivalent Regime. Once the state owned corporation is privatised, the taxes paid by the private companies will normally go to the Commonwealth Government – thus exacerbating the vertical fiscal imbalance that already exists between the different levels of government.

Over time, tax minimisation strategies of private corporations can significantly reduce the amount of anticipated taxes from the new private owners of the assets. The revelations from the leaked files, from the Panama-based law firm Mossack Fonseca, dubbed the *Panama Papers*, provides an indication of the type of activities engaged by some wealthy individuals and corporations - involving the shifting of funds off-shore and in so doing avoid taxation and side-step national regulatory controls.²⁸

²⁷ Toner, Op Cit.

²⁸ See ‘The Panama Papers: what’s been revealed so far?’ *The Guardian*, 7 April 2016
<<http://www.theguardian.com/world/2016/apr/06/panama-papers-all-revelations-so-far-data-leak>> accessed 24 May, 2016.

As noted previously, once public assets are privatised and the initial boost in revenue is spent, a gap in funding streams will become more evident over time and will eventually require additional injections of funding from the federal government to the states. There are also likely to be additional unanticipated or unintended social and economic consequences for communities which will require additional support from federal budgets into the future. This will put increased pressure on future taxpayers, particularly if an increasing number of regional economies are negatively impacted by the loss of local public sector utilities and employment opportunities.

In many instances it is the large accounting and legal consultancy firms which are the big winners of privatisation. Some have been paid millions of dollars of taxpayer money to determine the value of assets and make recommendations prior to privatisation. From time to time media attention has raised concerns about the role of accountancy firms in priming the population in readiness for privatisation.²⁹ Some of these same firms are later called upon to undertake forensic inquiries after privatisation processes have proved to be disastrous and wasteful of taxpayer funds. An example of this is the competitive tendering and consequent contracting out of education services previously provided by government owned TAFE institutions. Ultimately this privatisation process resulted in the diversion of funds (away from the highly community valued TAFE institutions) into the hands of shonky privately run services which has resulted in a \$3 billion drain on government revenue (which continues to rise). On 16 September 2016 newspaper articles announced that accountancy firms Deloitte, Ernst & Young, KPMG and McGrath Nicol would investigate the now scandal-plagued tertiary education sector.³⁰

A number of academic studies have exposed the fallacy of economic justification for competition theory and asset sales, particularly in regard to essential services. Within this submission reference has already been made to the work of Professor John Quiggin. The ASU also acknowledges the significant work of Emeritus Professor Bob Walker and Dr Betty Con Walker in their analysis of the impact of privatisation in Australia. In particular, in the publication *'Privatisation: Sell off or sell out?'* highlighted the way in which privatisation deals proceeded without critical analysis of:

- The financial implications of selling off government enterprises
- The absence of adequate parliamentary or public scrutiny
- The use of flawed assessments of the performance of government enterprises
- The use of new financing schemes which obscure the financial exposure of governments
- The impact on the quality of service provided to the community.³¹

²⁹ For example see 2011 ABC report on the role of Deloitte and the sell-off of public water utilities in Ian Douglas, "Water wars: the battle between public and private", The Drum, ABC News, Updated 27 May, 2011<<http://www.abc.net.au/news/2011-05-26/douglaswater/2731364>> accessed 20 September 2016.

³⁰ For example see Gretchen Friemann and Kylar Loussikian 'New Crackdown on college scams', *The Australian*, 16 September, p1.

³¹ Bob Walker & Betty Con Walker, *Privatisation: Sell off or sell out? The Australian Experience*, Australian Broadcasting Corporation, Sydney Australia, Reprint July 2006,

Analysis by Bob Walker and Betty Con Walker demonstrated the many ways that privatisation has changed the social and political landscape of Australia. This has included elements such as:

- Massive wealth transfers within the community
- Conferring privileges on insiders
- Loss of services to the community
- Loss of jobs in government
- Spurious claims about savings made to the taxpayer
- Downsizing of services to rural communities such that local economies are affected
- Dismantling of some government-owned state-based monopolies
- Contributed to building more powerful, national oligopolies
- Environmental interests put at risk
- Commercial interests damaging more open and accountable government
- Eroding arrangements for public sector accountability
- Subverting planning processes
- Eroding regulatory protections for investors ³²

Some of the above concerns about the loss of accountability appear to be consistent with the recent findings of the NSW Audit Office. On 8 September 2016, the Audit Office released a scathing report on the sale and management of Crown lands in NSW.³³ The Auditor-General, Margaret Crawford, said the management of the sale and lease of Crown land is ‘not effective because oversight of decision making is inadequate and community involvement is limited’.³⁴ The report indicated secret deals being made in relation to the signing away the rights over public land.

The report noted that the sale of Crown land “can be contentious because it involves the permanent removal of land from government ownership”.³⁵

From the Union’s perspective, this report provides further examples of the often cavalier approach to public assets and the secrecy that can be involved in the sale and leasing of public assets. Such activities indicate an erosion of public accountability and transparency while also depleting the overall public wealth in favour of particular individuals and corporations.

³² Ibid., see summary points p8-10.

³³ The full report is available from the website of the Audit Office of New South Wales. For a summary see the AO website, ‘Sale and lease of Crown land’, <<http://www.audit.nsw.gov.au/news/sale-and-lease-of-crown-land>> viewed 15 September 2015.

³⁴ Sean Nicholls, ‘Management of \$12 billion Crown land estate slammed as ‘inadequate’, *SMH*, 8 September <<http://www.smh.com.au/nsw/management-of-12-billion-crown-land-estate-slammed-as-inadequate-20160908-grbv1a.html>> viewed 15 September 2016.

³⁵ Ibid.

Regional and rural areas

Government owned corporations help to support regional areas and fragile economies in a number of different ways. First, they may employ local workers. These workers tend to spend their money locally and this is good for local economies (this is particularly critical in regions which have experienced loss of economic activity as corporations, such as banks, have centralised their services in large centres).³⁶

Second, local workers help support families who, in turn, are able to be active in their communities – whether it be through sporting groups, community based organisation, schools or other forums.

Investment in traineeships as well as research and development contributes to the information knowledge and resourcefulness of the local community as well as helping to build the skills and confidence of young workers. This provides other positive spin-offs for the communities who may otherwise encounter social, health and economic costs in regions where there is little to do and low self-esteem takes its toll.

The public sector has broader concerns than profit making organisations. For example, Councils and public utilities are able to use their sizeable plant and machinery in times of natural disaster and emergency (such as floods or fires). For instance, council bulldozers can be used to assist in fire prone areas. This can be extremely critical in rural areas where communities may otherwise be isolated and there are no other sources of urgently needed plant and equipment.

During the 2011 devastating floods which ravaged Queensland and northern NSW, ASU members working in the energy and water industries formed a critical part of the huge effort to assist communities facing the extreme hardship.

Workers in local government and public utilities are often mobilised early in times of community crisis and disasters.³⁷ When a flood is forecast and there is time to prepare, those workers are there transporting sand, shutting down utilities infrastructure, boarding public facilities, assisting the public to make private preparations, etc. They'll be there when the initial crisis is over, dealing with the aftermath, and trying to return services to a state of normality as quickly as possible.

³⁶ A number of studies have explored issues relating to the economic demise of small regional and rural towns. An interesting example which looked at the issue from a range of perspectives was provided by Paul Collits 'Small Town Decline and Survival: Trends, Success Factors and Policy Issues', The Regional Institute online publishing, paper presented to the "Future of Australia's Country Towns" Conference at La Trobe University, Bendigo, June 2000 <<http://www.regional.org.au/au/countrytowns/global/collits.htm>>.

³⁷ See for example District Council of Robe (South Australia), 'Provision of Council Resources to Support the Emergency Services in Emergencies Policy', Issued 13 January 2015 <<http://www.council.robe.sa.gov.au/webdata/resources/files/Policy%201.8%20Provision%20of%20Council%20Resources%20to%20Support%20the%20Emergency%20Services%20in%20Emergencies%20Policy-%202.pdf>>.viewed 20 September 2016.

When assets are sold to private corporations, those corporations are less likely to make equipment and staff available for local needs in time of crises.

In ways such as these, local and state public sector organisations contribute to the building and strengthening of communities. This can help communities stay strong through times of hardship and reduce the burden on Commonwealth budgets which may otherwise be needed when families and communities have difficulty surviving.

Conclusion

Privatisation can result in lost control of key assets, the loss of funding streams, reduced accountability and reduced capacity to implement social objectives. Companies with a focus on profit making cannot focus on serving the broader public interest. But citizens expect their governments to act in the public interest and the interests of the nation. When governments make it easier for multi-nationals to reduce their capacity to fund future infrastructure and reduce the ability of communities to protect their interests; those governments are indicating that their focus is not on the public interest or democratic processes - their allegiances appear to lay elsewhere as their actions assist in furthering the unequal distribution of wealth

The ASU is in agreement with many of the propositions put forward by Bob Walker and Betty Con Walker in calling for increased scrutiny and accountability in processes relating to privatisation. With regard to the sale of government trading enterprises which generate income streams, it is particularly critical that proposals be open to debate and analysis. We note for instance the recommendation of Walker and Con Walker:

Proposals to sell GTEs: Whenever a government proposes to sell a business, full details of that proposal should be presented to parliament for consideration – and adequate time and funding should be made available for the review. It is not acceptable for government to force proposals through without giving all members (government, opposition or crossbench) the opportunity to review the case for sale or retention in a professional and systematic way.³⁸

The ASU is of the view that there needs to be more openness and public accountability with regard to the processes and decision making involved in the privatisation of public assets and services. We reiterate the view that public services and assets belong to the public and the concerns of the public should not be ignored.

³⁸ Walker and Con Walker, Op. Cit. p289

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