

THE RUSH
TO
PRIVATISATION

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The rush to privatisation

With this issue *The Guardian* commences a series of six articles based on a report given by ANNA PHA, member of the Secretariat of the CPA and Editor of *The Guardian* to a meeting of the Central Committee of the CPA in March, 1997.

First, I would like to clarify the meaning of some of the terms I shall be using. There are different usages of the term “public sector”. I see it as including a range of things - government departments, the court system, government institutions, government banks and enterprises, the various social and other services provided by the state, the infrastructure - all that’s owned by the state. I’m referring to local, state and federal government. It includes all that is NOT owned or run by the private sector.

As for the term “privatisation”, some define it as the direct sale of a publicly owned asset to the private sector. I give it a much broader definition. I see it as including not only the complete transfer of ownership and management, but also cases where control, management and so on, are transferred while the asset remains (at least for a time) as public property.

Forms of privatisation

The first and obvious form is the outright sale of an asset to the private sector, either by floating it on the stock market or by a private corporation (or group of corporations) actually buying the asset directly.

The second is contracting-out, or what’s often called out-sourcing. In this process tenders are usually called for, various private contractors or corporations put in a tender and the winner gets a contract to provide services for the public sector - it might be for a government department, a public hospital, an ambulance service,

for the courts, a school, for the attorney-general or whoever. This is what is often referred to as the “private provision of public services”.

So the service is actually provided by the private sector on contract. This is an area which is rapidly expanding at the moment and is well advanced at local government level.

Competition policy is another means being used to eventually achieve privatisation. This is occurring with formerly public sector monopolies such as Telstra or Australia Post. The public sector monopoly is being broken down by allowing the entry of private corporations into those areas where they were excluded previously.

Gradually the services that were the domain of Telstra, Australia Post, the Department of the Auditor General and the Attorney-General, the Law Courts and others are increasingly provided by private enterprise.

Liquidation is another method where the public sector enterprise is just shut down completely. This is happening a lot in Eastern Europe and the former Soviet Union where they just close whole factories, whole enterprises and the private sector moves in.

Deregulation is an essential step towards privatisation. Probably one of the best known examples is in the meat inspection area where companies are inspecting their own meat products and, as a result, we have had the death of a child in South Australia and possibly other deaths from food poisoning in Victoria.

Self-regulation

Self-regulation involves loss of public control, public supervision and any acceptance of public responsibility.

The finance sector is likely to be handed this type of deregulation. The Wallis inquiry looks like bringing down recommendations for the private finance sector to regulate itself. The whole of the finance sector is now private, except for the Reserve Bank which is controlled by a Board made up mainly of the representatives of the big corporations.

There are several other terms I mention because they are used quite commonly - one is “BOO” and another is “BOOT”.

The first one means “Build, Own, Operate”. This is where the private sector might build say a tunnel or a tollway. The private outfit would own it and operate it for the government.

The second one, BOOT, is Build, Own, Operate, Transfer. Here they build it, they own it, they operate it but after a period of say 20-30 years it is transferred back to government ownership - just when expenditure on maintenance is due.

BOO and BOOT often involve considerable subsidies from the public sector. The government puts in a certain amount of finance to assist in the cost of the infrastructure. It gives the private sector certain guarantees of profits and if they don't reach those profit levels - not enough people who use the bridge or tollway or whatever - then the government hands out more money to ensure their profits are maintained.

Another method of privatisation is one called “vouchers”. This is a system where, when something has been privatised and involves a “user-pays” fee, the government gives certain people in the community a voucher (or the money cash-in-hand or a rebate) to use those services, particularly private services.

This is being done where the outright hand-over of services to the private sector would be very politically sensitive. There is such a system operating now in child care. In this case parents get a rebate. At any time the vouchers (or the rebate) could be cut out and everyone would then be “on their own” and many would then find the service beyond their means.

Growing struggles

Most readers have been involved in some struggles, in some campaigns against privatisation - whether it's in defence of the ABC, against the sale of Telstra, to save a hospital from privatisation, in fighting for their own job. The actions against privatisation are increasing. Millions of Australians are involved in them in one way or another. All over the place there are campaigns, coalitions, committees,

trade unions, organisations campaigning to defend a hospital, to defend a library from privatisation or some other service in the community.

These campaigns are fairly ad hoc and arise when a particular issue comes up. They come and go. There is, at this point, no overall coordination of these campaigns and the bigger picture is often not being addressed.

I drew up a list of the government enterprises and services which have been privatised. It's quite a long list of electricity, water, banks, insurance companies and various other government bodies. These are admitted by governments as having been privatised.

There is another list of areas of the public sector that are in the process of being privatised. In many instances, there has been no admission that they are being privatised. Some governments actually deny that that is what they are doing.

The scope of privatisation is quite frightening. When you are in an individual struggle it is sometimes hard to see the total picture of what is happening.

We are all familiar with the increasing number of tollways. In Britain the privatisation of roads is fairly advanced. They are looking at a user-pays system for all major highways - possibly some electronic system, a smart card, so that when you use the private road, or certain roads, you will actually be paying all the time according to your usage.

Bridges, tunnels, airports are being sold, postal services are being contracted-out. Gradually other competitors from the private sector are being allowed in.

This is happening even in the court system, in the military (corporate mercenaries), there is private policing - there are more private police in Australia now than there are public police. I'm just drawing your attention to the all-pervasive nature of the process taking place at the moment. It's not just Telstra, it's not just the Commonwealth Bank or Qantas. In every public sector area there are some steps being taken or being contemplated towards their privatisation and it's an alarming picture.

This process is not unique to Australia; it's further advanced in Britain; it's a long way down the track in New Zealand and the US; it's occurring right across

Europe; it's occurring in all industrialised countries and it's occurring in under-developed countries as well, where the World Bank and the IMF are imposing privatisation as a condition of finance and trade.

Cover-up

The propaganda that accompanies privatisation is very sophisticated and very dishonest. Because privatisation is unpopular - I've never seen a survey or opinion poll saying that people support it - it's covered up, it's camouflaged by all sorts of names.

Here is an example of the sort of language being used from the Industry Commission's 1995-96 Annual Report. It describes the sale of the State Government Insurance Commission in South Australia as "a major ownership reform, stimulating innovation and flexibility in service delivery and providing for increased competition in the local insurance industry". The word "privatisation" is avoided.

You will often hear the buzz words - "market testing", "efficiency", "innovation", "flexibility", "competition", and so on. This is the new terminology which is being used to cover up what they are doing.

In Eastern Europe they never said that there was a counter- revolution taking place or that they were out to destroy socialism and re-establish capitalism. The claim was that they were out to "make socialism better"! They talk about a "market economy" and "economies in transition". Rarely do they mention the word capitalism.

Now the OECD talks about "governance in transition", this is in countries like Australia. So these are their fancy words for the sort of processes that are taking place now. So we have "governance in transition" before our very eyes.

Hospitals no longer treat patients - they are in the business of "service delivery to clients". Universities do not have "students" anymore, they are also "clients".

Another piece of terminology - the public service is now becoming "a public manager"; it's a "purchaser of services" from (usually private) "providers".

You may have seen the terminology - “purchaser-provider split”. What remains of the public sector will no longer provide services, it will purchase them. And if you recall the Mansfield Inquiry on the ABC, Mansfield spoke about the ABC becoming a “commissioner of programs”, not a producer of programs.

All these changed terms are part of the process of softening up and justifying the eventual privatisation of everything that could make a profit.

Selling off the common wealth

The process of deregulation and privatisation was started by the Hawke and Keating Labor Government in the 1980s. It is merely being speeded up by the conservative Coalition Government.

There are a number of basic preparations before privatisation.

The first step is often to set up a so-called “audit commission” or hold an “independent review” which invariably comes up with the need to improve efficiency, proposes various measures to be taken and advances arguments to justify them.

The steps vary according to the nature of what is to be privatised, the political situation (whether there is likely to be public, trade union or other resistance) and other circumstances.

Invariably the “restructuring” of the organisation into a leaner, meaner, and if possible, a “for-profit” organisation is proposed.

Leaner and meaner

“Leaner” and “meaner” means the sacking of staff either by compulsory redundancies or staff are “persuaded” to take voluntary packages. Some employees are tempted to accept the proposed “restructuring” by trading off conditions for more money-in-the-hand or they accept the argument that the restructuring is needed to compete with workers in some other country and, thereby, “save jobs”.

Corporatisation is often one of the first steps - such as in the case of Australia Post. The social responsibility of the service is changed - from one whose obligation is to provide an affordable, efficient and universal postage service to one in which every aspect of the service is put on a commercial footing. Anything that does not make a profit goes.

At this stage the corporatised enterprise continues to pay dividends and taxes to the government, who remains the owner for the time being. But the composition of the Board of Directors of the corporatised organisation is changed to one with greater big business representation. Any cross-subsidisation of services is ended so that if, for example, city users subsidise rural users - that ends. If the government, for short-term political reasons, feels it necessary to maintain the service as a universal one, at a universal single price, the government gives a subsidy to the private corporation to go on meeting those community or social obligations that were part of the public organisation's social charter.

Up to now, public opposition has prevented the introduction of time local (phone) calls but if the total privatisation of telecommunications is carried out, there is no guarantee that the private owners will not introduce them.

We hear all about the need to be more "competitive" and "efficient". Efficiency here is measured by matching dollar inputs against dollar outputs. It really means how much profit is made from the dollars invested.

Another step towards privatisation is the breaking up of the enterprise into separate business units which can then be sold separately or private managers brought in to manage them.

Hikes for executives

The senior executives get big salary hikes and generous packages. Deregulation of the industry so that competitors can come in - like Vodafone, Optus and others into telecommunications, breaking the public monopoly of a service.

User-pays is introduced so that the service is no longer a service available to all, paid for out of taxation, but is turned into just another commercial transaction. This is happening across the board in health, in libraries and in council services.

One municipal council senior executive told me that they are now charging sports clubs and people to use parks. He said it's not fair if people pay rates which are spent on services they do not use. For example, why should a pensioner on a low income subsidise a soccer pitch when the pensioner is not going to play soccer?

The concept of community is being destroyed and replaced with a user-pays price tag on everything. This is the thinking. Individualism. The idea of contributing to a common pool of funds to provide services for the community is being relegated.

Throughout the privatisation process, the workers directly involved are kept in the dark and lied to.

This happened to the workers in the government cleaning service in NSW. At each stage of the privatisation process the workers were lied to. They were given guarantees that the service would remain publicly owned if they agreed to cuts. Two years later, when they had made the cuts and many workers had been sacked - many less workers doing the same job, working harder and faster - the promises went out the window. The service was privatised. The government did the dirty work for the privateers to move in.

This is a common pattern - it's going on in the railways, just about everywhere, workers are being lied to.

Unions, under pressure to save jobs and conditions, tend to focus on the very immediate dispute or problem - they allow a little contracting-out in return for saving some jobs now or in the belief that the contract will go "in-house", that is, to their members. So they agree to the principle of contracting-out. The bigger picture and consequences of accepting partial privatisation are overlooked. They might win the tender as an in-house bid the first time. But the second or third time they won't! And after that they won't be there to compete, there will be no "in-house" team.

Step by step

Step by step these things are being introduced and the trade union movement is unfortunately on the back foot and not fighting the ideological questions, not fighting for the principles involved. One of the earliest examples of this bit by bit

process is the Federal Department of Administrative Services. I rang up the Department to find out how many staff they got rid of. I eventually was given the figure of 15,000 down to 6,000. They don't really want to tell you these figures.

Some extremely efficient government services, with highly trained and competent teams of staff, were just smashed up with the work being handed over to private contractors.

Remaining government departments are becoming "agencies". They are gradually being split up and each little area is going to be put on different wages and conditions. This breaks down existing comprehensive awards or department-based agreements and allows groups of workers to compete with private contractors and private corporations, to put in tenders to do the job they are doing now. In this way workers are enticed to beat down their own wages and conditions to "compete" with some corporation with no award standards and non-union labour. This is being done at a time of high and rising unemployment.

The assets of government departments and enterprises are being sold off. We are NOT being told very often what they are doing.

If you look at the "For Sale" and "Tenders" pages of the newspapers - your hair will stand on end. There are lists of post offices, of schools, and before that, lists of Commonwealth Bank buildings (before it was sold-off), and lists of all sorts of services being contracted out and sold off.

Empty cupboard

I have not succeeded in getting a complete picture of the assets already sold off, nobody seems to be able to give it to me. But judging by a couple of areas where I have been able to work something out, it will take only another five to 10 years and the Commonwealth of Australia will have no common wealth, it will have all gone and the cupboard will be completely bare.

As for the size and future of government departments: the Commonwealth public sector has in the last eight years, from 1987 to 1995, shed 259, 100 full-time jobs. That's over a quarter of a million. There has been a rise in the number of part-time employees by 51, 400.

But, even if these part-timers are counted as full-timers - they at least have a job and some sort of income - there has been a net reduction of more than 200,000 jobs in the Commonwealth public sector alone. Many more have gone since these figures were released. I spoke to one of the heads in the Victorian Public Service and asked him about the future - how far it would go. From his figures, if they continue going in the same direction, the Victorian Public Service will be reduced to one per cent of its former size. Apparently there is some debate over whether it will be one per cent or 10 per cent. The remaining public servants will be a group of people managing contracts for what's left. He told me not to rule anything out.

Governments as businesses

Governments have been changing their accounting procedures. By 1999 it will be compulsory for all governments to use accrual accounting. At present government budgets detail revenue on the one hand against expenditure on the other. This is called recurrent income and expenditure. Under accrual accounting the government's assets are all to be valued and taken into consideration - everything is given a value just like BHP does in its books.

Government assets mean publicly-owned land, buildings, equipment, vehicles, gutters, roads, parks, patents - everything as though it were private property belonging to a private corporation.

Even "goodwill" is being calculated for the reputation a government department has built up providing services, in the same way a capitalist company enters goodwill in its books as worth so many millions of dollars because of its brand name, for example.

Depreciation of these assets is to be calculated and entered as an expenditure. Gutters, roads, buildings, machinery, etc, are all to be depreciated.

Governments as corporations

Governments are to be treated as corporations, as businesses.

The National Commission of Audit Report actually has sections detailing how to do it. It lists all the items to be included in the budget and the different types of budgets to be prepared.

The Federal and State Governments under the Council of Australian Governments (COAG) have agreed to put all of this in place by 1999. And Australian Standards have worked out accounting standards for the process.

The National Audit Commission's report lists Commonwealth Government assets under several headings, including controlled entities. If you look up a BHP Annual Report there is a list of controlled entities, that is subsidiaries - wholly owned and jointly owned subsidiaries. Now we have a list of government controlled entities, things like the Australian Taxation Office, all government departments, the High Court of Australia, the Health Insurance Commission, the Heritage Commission - all of these are listed as assets, as controlled entities or subsidiaries.

Then there is a list of public trading enterprises like Telstra, Australia Post, ANL, etc. There is also a list of financial enterprises. These are the actual businesses, corporations, as against controlled entities which are in the process of corporatisation.

There is nothing wrong in principle with all governments being efficient and every government has to balance its books at some time or another. However, the purpose of this change in accounting procedure is not about making the government efficient or even cost effective. It is another step in preparing the way for the privatisation of every existing government enterprise or service from which some corporation or other can make a profit.

By including depreciation the actual value of a government asset can be substantially reduced when it comes to flogging it off to some private corporation.

The whole of government is being privatised - enterprises, services, instrumentalities such as prisons, the Reserve Bank, even law courts - are being prepared for privatisation.

Corporate armed forces and other private security services are on the rise - the attempted use by Papua New Guinea of the corporate Sandline/Executive Outcomes mercenaries is not an exception.

There are a number of similar outfits operating around the world.

The processes under way in the examples (see below) of Australia Post and the Melbourne City Council are not unique.

They are under way across Australia at all levels of government. Some are more advanced than others. I have picked two examples that are a fair way down the track.

Health services

Let me turn briefly to health services. Cuts in funding, contracting-out of cleaning and catering, private pathology, private X-rays, private management of hospitals, private beds in public hospitals, public beds in private hospitals, private hospitals providing a public service like Port Macquarie, private hospitals in the grounds of public hospitals - they are blurring the distinction between the private and the public health sector, and physically integrating the two sectors and systems.

Public hospitals are being restructured, corporatised, commercialised. They are funded now on the basis of “outcomes”.

You hear a lot of talk about “performance” or “outcome” funding as against funding inputs.

Outcomes payment means getting paid a fixed rate for every tonsillectomy, for every hysterectomy or procedure. It does not matter what complications there were - payment is for the service. The emphasis is on getting it done, the quality of the performance, the steps that took place in that process don't count.

And when the private outfits are doing it they'll take short cuts because everything they don't do saves them money and adds to the profit.

This is leading to less and less time being spent by patients in hospitals. It is the quick turn-around of patients that will rake in the money - not whether it is good for patients.

The National Audit Commission Report put forward a number of options for Medicare, and one of these, which I have seen pushed in the media, is for the standard Medicare level of insurance to be provided through private health funds.

The report says: “The Commonwealth would pay a national health insurance premium in respect to eligible citizens of registered health funds, to cover public hospital and all other medical health services.” In other words, we won’t have Medicare anymore. We will all have to enrol in a private health insurance company to get our basic Medicare cover.

“The funds would be required by law to cover a percentage (say 85 per cent) of the MBS [Medical Benefits Scheme] schedule fee and free standard ward accommodation in a hospital.”

It means that the hospital you go to and the length of time you spend in hospital will be determined by the insurance company and not necessarily by the doctor.

Once your private insurance cover is exhausted - out you go.

“This approach”, says the Audit Commission report, “endeavours to integrate Medicare and private health insurance. It defines the Medicare entitlement as a community service obligation and makes its delivery contestable”.

“Contestable” means open to competition from different providers. The report talks about “the blurring of the Medicare entitlement boundary”. As they blur the boundaries the public health system will be quietly consumed

While blurring the boundaries between private and public and merging the public into the private system, a two-tier health service is being created - one for the rich and one for the poor.

The myths of privatisation.

There are a number of myths being put out to sell privatisation and the associated contracting out and other processes.

It is claimed that the private sector is inherently more efficient and that the public sector is inefficient; that markets and competition lead to improved quality, contain costs, are more accountable and provide cheaper services.

Or there is the budget deficit line - budgets must be balanced so sell off the farm to cancel the debt, bring in the private sector to provide capital.

Or we are told that we can no longer afford the “welfare state”, a claim used to justify the introduction of means testing and “user-pays” for services that were free.

We need to tackle these myths and knock them over - because they are myths. We need to expose the underlying ideology - the anti-working class, anti-people, pro-big business ideology behind them. A look at a few of the outcomes of privatisation show that these arguments are false.

Let's look at efficiency. How efficient is the duplication of billions of dollars worth of pay TV cables? The hundreds of millions of dollars of advertising; the duplication of services, of administrations; the parasitic layers of contracting and sub- contracting, of consultants, of advisers. There is nothing efficient about private enterprise.

Why is it that whenever a private corporation gets into financial trouble they rush to the government for tax breaks, subsidies, depreciation allowances, export assistance, etc? They always expect taxpayers to bail them out.

Private costs more

And as for prices - they might come down at first with competition but it is inevitable that they will have to rise because in the private sector there are a number of layers of costs that are not essential for the public sector:

* Profits - the private sector has to make bigger and bigger profits.

* Interest on loans - they usually borrow to buy the public service or enterprise in the first place.

* Advertising - the millions spent on advertising to beat their competitors.

All these costs are add-ons to the price of the service when it goes to market.

The private capital that we are supposed to benefit from is often borrowed from overseas or is overseas capital.

This means dividends, interest payments and loan repayments are sent overseas. This pushes the current account and our foreign debt deeper into the red as wealth flows out of Australia.

Consequences of privatisation

As for quality - you only have to look at what happened to the Ambulance and the Firefighting services in Victoria. When the private company, Intergraph, came in and started distributing calls and organising services the system crashed. There were long, potentially fatal delays and possibly even several deaths as a result of privatisation.

Apply economic rationalist principles to a library: if a book isn't read a certain number of times per week - ditch it and put something else on the shelf.

What will happen to historical archives if they are not making a profit but take up space which costs money?

And what of the politics and the "thought control" which would inevitably follow Readers' Digest or IBM libraries?

Profits first

It is illegal for someone on the board of directors of a corporation to put the interests of customers, staff or the community first.

Corporations must put shareholders' interests, i.e. profits, first.

As for accountability - a Board of Directors of a private corporation is accountable to shareholders - not to the public.

At present, despite deficiencies in the public sector, there is some accountability to the Minister and Parliament. Annual reports are made public, questions can be asked in Parliament, There is Freedom of Information legislation, tribunals against discrimination, Ombudsmen and so on.

As to democracy, the Boards of Directors of corporations are appointed by those who have the majority of shares. There is no such things as "one vote one value" in the Articles of Association of companies.

Money rules

Once privatisation takes place, commercial secrecy and confidentiality come in. If the company is unlisted [on the stock exchange] we don't even get to see an annual report.

There is no legal obligation to provide the public with the information that is available in the annual reports of companies listed on the stock exchange. If it is a foreign corporation we might not even be able to find out who the major shareholders are or who controls it. There is no public accountability.

Privatisation, particularly contracting-out, invites corruption and nepotism. The Public Services Privatisation Research Unit in Britain and the Public Sector Research Centre at the University of NSW have details of many instances of corruption in local government, of companies being fined, of actual jail sentences arising out of contracting-out. South Australians know that the tendering of their water supply has seen some strange goings-on, with one tender allegedly turning up after closing time.

Job destruction

Privatisation is a job destroyer. In the Victorian Public Service there were 48,000 jobs in 1992. The number was down to half by 1996. One government official told me it could go down to 2,000.

The public sector was the major employer of school leavers. The Commonwealth Public Service, for instance, has reduced its intake of permanent employees aged under 20 from 2, 868 in 1987 to 166 in 1996.

The fact that the public sector is not recruiting young people is contributing to the high rate of youth unemployment.

Privatisation has become a vehicle for de-unionisation, the casualisation of the workforce and attacks on awards, wages and conditions.

Contracting-out results in workers competing against each other for the fewer and fewer jobs. Some might get a job with a contractor or in the private sector but nowhere near the number that are being sacked from the public sector.

Following privatisation, there is no longer the cooperative workplace spirit which often prevailed in the public sector. It's dog-eat-dog, morale is low and stress is high.

There are many ill-effects on health and safety arising from privatisation and corporatisation.

Workers, as the main users of public services also suffer. In Britain, where the privatisation of the water supply is further down the road, three million domestic users received court summonses because of debts in 1995 and 5, 826 had their water cut off altogether.

Because cutting off household water is a very unpopular action the private water suppliers are now installing pre-payment metres. It is called "self-disconnection".

They don't come and cut you off, you "choose" to do it yourself! This is the "choice" that the economic rationalists are so fond of talking about.

Around 3.4 million in Britain have a similar "choice" when it comes to electricity - that's the number of pre-payment metres so far installed.

These figures give some indication of the large number of people who are having problems.

British Telecom has cut off almost 800,000 phones.

That's the British experience and it's coming to Australia fast. The same transnational corporations (TNCs) are taking over our services and they will employ the same harsh measures here.

As for access to services - they are no longer providing a universal service that everyone can afford. The user-pays fees and charges exclude consideration of the disadvantaged, the low-paid, the unemployed, students and the aged. Social objectives and equity are abandoned.

There is also an environmental conflict between selling more water and electricity to make profits and the necessary conservation of our resources. More sales means more profits. The drive for profits leads to short cuts and disregard of the environment - the private companies do not want to do anything that costs money or might reduce profits.

The competition myth

Competition - that's a big myth. Cartels, collusion and other methods of avoiding competition are rife.

For example, in water there are nine major global players that effectively operate as five. They are carving up the water supply markets around the world.

They form various combinations to capture a market. They are just carving up the world between themselves changing partners with each bid.

For example, Thames Water bid with P&O in China and against P&O in South Australia.

The world market for private prisons has basically been carved up by two corporations.

In areas where smaller players get contracts, they are gradually being squeezed out. There is a bidding system called "loss leader" where the TNCs get together

and decide which one will have the contract. The chosen corporation bids a lot lower than the others while the others don't waste money on serious bids.

The winner then runs at a loss for a few years to squeeze out small competitors including the "in-house" bids. There is a limit to how far workers can cut their own throats to beat a multi-billion dollar TNC running at a loss.

They get up to other tricks too. In France Generale des Eaux was fined around \$2 million for collusion. Five allegedly independent companies bid for three contracts. But, three of them were 100 per cent owned by Generale des Eaux, one was 50 per cent owned and the other 34 per cent owned. They bid without declaring their connections and after sharing information.

The logic of capitalism is that so-called competition inevitably leads to further monopolisation.

The propaganda about competition is a sham and is being deliberately promoted to justify the privatisation and elimination of publicly-owned enterprises, institutions and services.

A monopolies Who's Who

Let's look at a few examples of the companies monopolising government services and the forces behind privatisation.

Electronic Data Systems (EDS) is a US computer company pursuing computer and management contracts with public sector authorities. It was a subsidiary of General Motors but not so long ago it became an independent company so that it could do business with GM's competitors.

I don't know really who owns it, who the major shareholders are - their office in Australia can't or won't tell me. Because it is an American company with a wholly owned subsidiary in Australia we rely on a US company report which says next to nothing.

But the report does list its directors. One is James Baker, who was Chief of Staff to former President Reagan and held senior positions in the Bush and Ford

administrations. Another is Richard Cheney, former Secretary of Defence in the Bush administration. He also served with Nixon and Ford. These two are very well connected men.

Others on the board have had experience in the US Navy, the Ford Motor company and the oil industry. One is on President Clinton's committee of advisers on Science and Technology. We can only speculate on whether EDS is really controlled by the military industrial complex, the oil corporations or other interests.

EDS had sales revenue of more than US\$12 billion in 1995 (almost as much as BHP) and boasts 9,000 customers around the globe. It has between a third and a half of the privatised computer facilities and management contracts in the world, according to their sales pitch.

Its operations in Europe grew from US\$478 million to US\$2.381 billion in the last six years. It has the contract to keep all European Parliament members informed 24 hours a day, seven days a week.

It has a secret contract to the value of \$565 million with the South Australian Government to look after all the information and data processing of the government and its 90 agencies. One hundred and ninety five public sector employees transferred to EDS to do that job.

EDS has contracts with the US Navy, with the Ministry of Defence in the UK, with UK Armed forces, with the UK Department of Social Security.

It has a US\$2 billion dollar contract with the UK's Inland Revenue computer operations. Two thousand public servants transferred to EDS to do that job. It is looking after all the computer operations, all the data, all the information for Inland Revenue as well as the British Airforce and Navy.

The amount of information available to EDS is enormous. Just think about this strategically. The information they have access to gives them great power over governments and individuals whose names are recorded on their computer systems. And it could give those corporations who have connecting managements a great advantage when it comes to bidding for contracts. It's actually quite frightening.

Serco

Serco is a British-based transnational corporation. It manages the ballistic missile early-warning system's computers at Fylingdales for the Royal Airforce in Britain. It has contracts with Customs and Excise, hospitals, local government, light rail projects and criminal justice services management in Britain.

It has 14,000 staff in more than 30 countries and is partner to Wackenhut Corrections providing prison services around the world. It also has 250 schools in France where it took over an education company. It dabbles in water, the environment and security businesses.

In a submission it made to the Industry Commission in Australia on contracting-out it suggested that core government business be limited to policy and service design: "All government services can be delivered by contractors even if the services are of the social nature and involve activities which are hard to specify in empirical terms."

Serco specified as areas for the private sector: health, education, social services, tax collection and justice. Basically, it is really suggesting that all these services be removed from government. Elected governments would only make policy direction decisions.

And who are these people who want to take over much of government? They won't tell, I can't find out.

Corporate armies

The defence area is also being privatised by stealth. Executive Outcomes which came to the fore in Papua New Guinea (PNG) is only one example. That organisation arose out of the partial privatisation of the South African Defence forces.

One of the prime reasons, I suspect, that the Australian Government does not want Executive Outcomes in PNG or in Bougainville is that they are rivals to another private military outfit called Military Professional Resources Inc, or

MPRI. MPRI is a US company and the US-Australia alliance wants to run this region.

The formation of MPRI amounts to the partial privatisation of the US military. The head of this outfit is Lieutenant General Edward Soyster, a former head of the US Defence Intelligence Agency. It has something like 300 employees, all of them generals, admirals, rear-admirals, etc., and 6,000 or so “retired” officers on call around the world who can be drawn on for whatever dirty job comes up.

They are basically doing overseas work for the US Government in US interests. They claim in their propaganda that they only do things with the authorisation of US Government authorities.

They have been and probably still are involved in Serbia, Bosnia and former Soviet republics. They had the job of setting up the Croatian Army.

They boast that they can conduct war games, law enforcement, force design, training, democracy transition assistance (I like that one!), and they claim to have made “a significant contribution to the country’s defence efforts”.

They go into places and situations where the US cannot go for either international political reasons or because it would be too unpopular at home. For these situations, the US uses this private force, these so-called retired generals. So it’s generals for hire.

Driving force of privatisation

Let’s look at the big picture. What is the driving force behind all of this privatisation, the destruction of the public sector and the welfare state as we know it?

As transnational corporations (TNCs) penetrate every corner of the globe, expand their markets and establish their control, they seek to remove the various obstacles and barriers to their operations.

There's been considerable discussion of barriers like tariffs, quotas on trade, national borders where governments have different regulations in each nation state, differing government policies and regulations, restrictions on private investment and capital flows and so on.

The structural adjustment programs were designed to remove these barriers.

Another barrier is the existence of the public sector. National governments not only make laws and regulations and often have to concern themselves with the needs of the people, they have also owned and run substantial enterprises and institutions which the private sector wishes to take over.

Look how important and valuable telecommunications, the transport system, infrastructure, electricity supply, etc., are.

These services were developed historically by the state because they were essential and often for the reason that no individual capitalist had or the capitalists as a whole did not have the resources to build them.

Now, the big capitalist corporations want to take them over and they have the capital to do so. These enterprises are a source of considerable profit which the corporations want to have flowing into their pockets, not into government revenue.

They are setting up consortia and cartels - the banks are lending them money freely, particularly the World Bank. They'll lend money for a private company to build a dam or electricity power station but they won't lend it to a government any more.

The World Bank, the IMF, OECD, APEC, NAFTA, etc, are all aimed at giving the transnationals access globally to what has been the domain of the public sector.

The General Agreement on Trade and Services, the section on trade-related services, is all about opening up those services, removing restrictions on foreign ownership, foreign investment and private ownership.

The OECD is drafting a multi-national investment agreement for the removal of all restrictions on foreign investment in these and other areas.

Under the APEC Bogor Declaration, governments are committed in the long term to lifting restrictions on foreign ownership of services. Foreign ownership limitations on Telstra, for example, will be phased out. In the scheduled partial sale of Telstra, 35 per cent is going off-shore - that is step one. It was necessary to get it through Parliament and to get the public used to it. Bit by bit, these restrictions will be eased.

The same is happening with media ownership and everything else. They are whittling away the former restrictions and limitations, step by step.

All of Australia's assets are being listed and valued. The Australian Bureau of Statistics has actually worked out a valuation for Australia - its fauna, flora, its land, buildings - everything, including the resources under the ground - the works.

Australia is being treated as though it were a commodity. I wonder whether one of the reasons they want to settle Wik [native title] is so that there is no problem with selling off Australia. If you think that this is a far-fetched idea, it should be noted that some TNCs have already offered to buy-up some of the smaller African countries and run them on contract.

“Small government” is another aspect of the structural adjustment programs. We hear arguments that we can't afford welfare state, we must get rid of that budget deficit, etc. But the government - the Labor Government and now the Coalition Government - are responsible for the deficit. If they had not cut corporate taxes and ended corporate tax avoidance there would be no deficit.

They created the deficit and use it to justify their attacks on all the social welfare programs, on education, health and other services. It's very clever.

The government is actually intent on replacing company tax and income tax by a GST - taxing spending instead of income and profits. In such circumstances they would not have to declare their profits, put in tax returns or pay tax on profits. A GST will create a real heaven for TNCs.

The OECD also refers to “small government” and “rolling back the state”. It’s regressive, it’s politically reactionary and it’s anti-people. It only serves the interests of the transnationals.

It involves an ideological shift from collective, community responsibility to individual responsibility, to neglect of any responsibility for the people by government. The universality of services is being abandoned. Next week: Governments handing over to private corporations.

Governments handing over to corporations

The economic rationalists are doing more than just trying to remove barriers to transnational operations, or reduce the size of government. When they talk about “handing everything over to the markets” they are talking about handing over government policy making and political power and all public enterprises to the naked dictatorship of the big corporations whether national or foreign enterprises.

They are handing over economic policies through deregulation and self-regulation. It is the private banks and financial institutions that are determining the capital flows in and out of countries, determining foreign and domestic investment, exchange rates of currencies, interest rates, industry development, and so on.

Governments are abandoning the economic responsibilities they previously had. A quote from the OECD document titled Governance in Transition:

“... through privatisation and economic deregulation, governments are withdrawing from the direct regulation of economic decisions, albeit unevenly among countries and sectors. Economic deregulation can be seen as one of the most important experiments in economic policy of the past several decades ... Governments are now concentrating more on regulating the conditions of competition.” (p.68 Governance in Transition)

In the US they’ve actually calculated the cost of regulations to big business - an estimated \$500 billion per annum. If there were no regulations, no health and safety laws, no labour laws, no environmental laws, etc - business would save hundreds of billions of dollars, or so they reckon.

Political agenda

And it is not just economic responsibilities that governments are abandoning but their social responsibilities for the people they govern, the sick, the aged, the young, the disabled, their health and safety, the justice system, even “defence”, labour conditions and the environment.

The structures of the state are being transferred to TNCs or dismantled and their functions abandoned or left to the capitalists. Privatisation has the objective of strengthening the rule of capital and imposing its direct rule. Even the charade of an independent state “above the classes” (it was never true), is being abandoned.

There are a number of structures in our society, although far from perfect, which do give people some access to information and redress and provide some public scrutiny: the Auditor-General; the Anti-Discrimination Board; legal aid; community groups; the Multi-cultural Affairs Office; the Bureau of Immigration, Multicultural and Population Research; the Privacy Commission; the Director of Public Prosecutions; the Federal Bureau of Consumer Affairs; the Australian and Torres Strait Islander Commission; Bureau of Statistics; etc.

They are just some of the many bodies and groups which have a considerable democratic content even though it is bourgeois democracy we are talking about. They are all being slashed, merged and undermined in some way so that they won't be able to provide anything like the services they do at present.

Future of Government

In the political sphere the role and even the future of elected governments is being debated within OECD circles and in some government departments. In Victoria, Kennett floated the idea of not holding local government elections - he had to pull his head in, but only because he was a bit before his time.

The OECD Observer reports discussions on globalisation and future governance. It says: “There may also be a power shift from elected to non-elected bodies. The tendency to resort to international decision-making ... seems to increase the power of executive government at the expense of legislatures, putting such fora beyond democratic control.”

And another: “Opening-up regulatory decisions of lower tiers of government to the public has taken on new significance in many countries where important decisions are increasingly delegated from elected parliaments to civil servants.

“Parliaments in Europe, for example, are using ‘frame-work’ laws more often to establish general policies, leaving the details to be developed by civil servants in regulations drafted at lower echelons.” (OECD Observer No 195, August/September 1995)

“The erosion of parliamentary supervision is likely to be a central issue in the debate on the future of democracy.” (OECD Observer, No 199, April/May 1996)

The book, *Governance in Transition*, argues for the abandonment of government regulations and puts forward alternatives.

Industry would draft and impose its own regulations and establish its own dispute resolution bodies to adjudicate disputes. If you are unhappy about something the boss has done you go to THEIR dispute resolution body and get it sorted out.

Some of these bodies are already in existence, being tested and tried. You won’t go to court, you won’t go to the Industrial Relations Commission, you will go to some body set up by the private sector. They’ll sort it out for you - or more likely, sort you out!

Food

It will be left to industry to decide on the inspection of foodstuffs. This is already happening. The previous system of State and Federal Government inspectors has already been virtually dismantled.

Instead of government regulations, there is talk of a system of “information disclosure” - a system of “caveat emptor” - by which the buyer will be warned.

The risks will be given on the package, in the fine print, and you, the consumer, will make the decision whether you want to use the product. That’s the direction in which they are heading and the OECD is quite brazen about it.

These changes have not all happened yet but they are under way.

There is a change in the relations between the state and the capitalist ruling class. The limited democratic content of a bourgeois state is being “hollowed out”. The economic, social and political spheres are being handed over to the private sector, to direct rule by capital.

We must ask what will happen if these changes are not stopped? What powers will any government have to make decisions for the people? The government will not have any levers at all to influence economic policies. The public sector cupboard will be empty. We can already see the naked exercise of economic power over governments by the likes of Kerry Packer and Rupert Murdoch.

Opposition

There is already a lot of resistance to many of these developments. Across Europe there have been strikes against privatisation of the public sector, the cuts to social spending, and the decimation of agriculture (in Greece for example).

There is a campaign against the sale of British Post. The last campaign stopped the government from selling it. But the Major Government continued with the preparatory work and a Labor Government will carry on with Tory privatisation.

There are struggles in India. Half a million farmers turned up for one action in Bengal. They adopted a Charter defending their right to water and their land.

The struggles are growing in Australia, but they are not coordinated and many do not yet see the big picture. There is an individual fight to save a library or a hospital, there's a struggle for the ABC, a struggle against a particular tollway or for the fire-fighters or the ambulance services. But the big political picture, the big struggle is the one where we are really falling down.

One of the reasons for this is the weakness of the left in particular. There is a lot to be said about the need for a strong Communist Party and the rebuilding of the left forces.

Unfortunately, Labor and Liberal are both in this [the privatisation and deregulation] up to their necks. They may approach it by slightly different means

- one goes a bit slower and covers it up a bit better. The ACTU has also failed to confront privatisation in its many forms.

Priorities

It has got to be stopped and I think there is a strong will among many people to stop it. A lot of people do not realise the extent of the privatisation that is already under way and its potential consequences. There seem to be two, interconnected levels on which to fight these developments. One is to fight out every single attempt at privatisation and that means an intensification of the specific struggles which are already taking place. The other level is to explain the objectives and consequences of privatisation and deal with the big picture.

In many areas privatisation is not too far advanced and could be reversed and stopped. But in the near future it will have become “irreversible”.

In the specific struggles the aim should be to identify where privatisation is under way or being prepared by deregulation, corporatisation, contracting out and other measures which are always the first steps to eventual privatisation.

Real fight

The real fight is to stop privatisation altogether and to, in fact, expand the public sector.

The fight to stop the total privatisation of Telstra must be continued. July 1 will be a big day in the next stage of deregulation of the whole telecommunications industry. It is something we could campaign around. We shouldn't give up because Parliament has agreed to the sale of the first 30 per cent of Telstra.

In campaigning we can emphasise the inefficiencies (duplication of cables, administrations, billing, etc, the millions spent on advertising), the destruction of Telstra's know-how, loss of contracts to Australian suppliers, job losses (particularly youth and apprentices).

The privatisation by stealth of the Postal Service is another important battleground.

The fight is on to save the ABC. The Federal Government is systematically strangling our national broadcaster, turning it into a “commissioner of programs”, planning to smash its overseas service, deprive the rural community of ABC regional services, cut its cultural role and quality, undermine children’s programs and the ABC’s Aboriginal Unit. All this must follow more cuts to its funding. Full support should be given to Friends of the ABC.

Local government is another priority area, one providing services close to the people. There are many issues here: council amalgamations, voting systems, rating systems, competitive tendering, user pays, libraries, parks, ...

Public transport, public housing, water, gas and electricity are also important areas for campaigning.

There are a number of demands that can be made which could help expose why privatisation should be stopped and the public sector defended.

If faced with privatisation we should call for genuine accountability and transparency. When governments are contracting out or selling off public services and utilities, let’s demand the publication of tender and contract details. It is the public’s property that is being sold off and often taxpayers’ money being handed over. Companies and governments which attempt to hide behind “commercial secrecy” must be condemned.

Companies tendering should be forced to make public the details of their activities, political donations, sources of revenue, principal shareholders, directors’ interests, profits, whether their workforce is unionised, how they treat their employees around the world and their interests in other corporations.

The process of tendering should be democratised with representatives from community, trade union and environmental groups involved in the tendering process. Companies making tenders should be fully investigated.

There should be changes to corporate law which at present makes it obligatory to put shareholders’ interests - i.e. profits - first. The interests of the community which uses the services should come first. Profits should be capped and prices controlled.

Community obligations

Community obligation clauses in the tender or sale contract should specify consumer rights (quality of service, access, maintenance, etc), rules on security deposits and the handling of customer debts (disconnections, etc), independent dispute resolution procedures and environmental impact obligations (e.g. recycling, pollution).

Corporations taking over public transport and other basic services should be forced to provide universal services and maintain cross-subsidisation. The taxpayer should not have to fork out additional money for this purpose.

There should be heavy penalties, including mandatory jail sentences for directors where a company is involved in corruption, fraud and other criminal activities including the sale of confidential customer information.

But these demands are no replacement for the necessity to defeat privatisation.

The question of building a militant class conscious trade union movement to oppose privatisation is a major task.

At present there is a tendency to meet each step of the privatisation process as though it were an isolated dispute about jobs or conditions. Trade-offs are done, basic principles breached in return for promises from governments who have no intention of adhering to them.

The public first campaigns offer an excellent vehicle for the co-ordination of activities between community, political and trade union groups. And they provide the opportunity to tackle the broader issues.

Myths

There is a need to do much more to tackle the various capitalist myths being used to justify privatisation:

* that private enterprise is efficient while public enterprise is inevitably inefficient.

* that prices will go down with privatisation;

* that “competition”, de-regulation, self-regulation, etc., are good for the community;

* that self-provision, meaning individualism, is better than community interests and collective participation and provision;

* that the budget deficit has to be eliminated;

* that there isn't enough money, etc.

Finally, there is the need to promote the public sector itself - the advantages it offers and the potential it has if expanded and democratised.

The public sector can play a major role in job creation, financing government revenues and providing the government with the means to influence the whole economy so that it puts the needs of the community first, not corporate greed and power.

If the big corporations and their tame governments succeed in the massive privatisation that they are aiming for, the left will have to rethink its policies on a number of questions. A new situation will have been created. It will be necessary to take it all back, to put it in the hands of the people - socialism.

There will be no other way to go. A people's government will not be in a position to buy back or just nationalise one or two things step by step. What remains of the public sector won't have the assets or the means.

By pursuing its present policies the capitalist class may be speeding up the process of digging its own grave.