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Privatisation provides no dividends for the poor

By **Sharon Beder**

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The chairman of the Australian Competition and Consumer Commission, Rod Sims, is the latest in a long line of business advisers to urge further privatisation of this country's essential services in the name of productivity, efficiency and lower prices.

The privatisation of essential government services is not about competition and efficiency; it is about the redistribution of wealth and control.

Privatisation has become the final resort of governments that need funds but are afraid to tax the wealthy and prevent tax evasion by big businesses. MICHELE MOSSOP

Privatisation has become the final resort of governments that need funds but are afraid to tax the wealthy and prevent tax evasion by big businesses. Instead, government assets are sold in a scramble for cash at the expense of ongoing dividends and government control of essential services. Struggling families and small businesses suffer most from the inevitable price rises that follow.

Privatisation is promoted by a group of powerful vested interests greedy for low-risk financial investments, consultancy and legal fees, or banking business. They are aided by business-funded think tanks and economic advisers who spread the ideologically based belief that private management is superior, despite the plethora of examples contradicting this.

For example, experience in the United States, where public and private enterprises supplied electricity contemporaneously, has consistently shown that public enterprises can provide a reliable service at lower cost to ratepayers. Similarly, in Britain and France, municipal governments offer water services at cheaper rates than privately operated services.

Private owners are concerned more about a return on their investment than the welfare of consumers. They have a strong incentive to achieve ''efficiencies'' because they need to make profits. These profits must be delivered despite paying more to borrow money than governments, as well as having to cover marketing and lobbying costs, political donations, higher executive salaries and shareholder dividends. However, efficiencies inevitably come at the expense of service reliability and quality as they involve cutting and/or casualising workforces; reducing worker training; skimping on infrastructure maintenance and investment; and neglecting services for remote customers and those less able to pay.

As a result of electricity privatisation and deregulation, there have been blackouts, price spikes, price manipulation, bankruptcies and electricity shortages around the world. Privatisation and deregulation have seen the goal of reliable, affordable, universal electric service replaced by the goal of economic efficiency and the rhetoric of competition and consumer choice.

Water privatisation has also been a disaster. Rates have soared and pollution has increased. Those who cannot afford the new rates have had their supply disconnected. Diseases such as cholera have made a comeback in poorer nations, where alternative sources of water are contaminated. Privatisation has transformed water from a human right to an ''economic good'' that must be paid for by those who use it.

Planning and long-term forecasting of demand, as well as the upgrading of worn-out infrastructure, used to be an essential part of providing a reliable public service. The need for long-term planning and co-ordination were major reasons governments in many countries took control of services such as water, telecommunications, transport and water in the first half of the 19th century. Following privatisation, the planning function of government bureaucracies was abandoned altogether and surrendered to market forces.

In practice, the market has turned out to be a rather poor mechanism for ensuring adequate supply and reliable service. In the market, shortages are supposed to lead to high prices that, in theory, provide an incentive to build new facilities and infrastructure. But for some services, such as electricity, there is more financial reward in creating shortages and so most companies prefer to avoid risky investments that will only lower the price by increasing supply. For other services, such as water, poor consumers cannot afford higher prices, and the expansion of networks (that is, the provision of water to poor neighbourhoods) is not commercially viable.

Dozens of governments around the world have embarked on the road to privatisation since the mid-1980s. Despite its lack of popular support and its inability to deliver on promises of lower prices, privatisation in its many forms has become the accepted wisdom among governments and opinion leaders. New markets have opened up all over the world as developing countries joined developed countries in allowing transnational companies to provide their essential services.

As a result, there has been a massive transfer of ownership and control over government assets worldwide to private companies. The companies that have taken over these public services in most countries have little interest in the welfare of local citizens. Increasingly, these companies are concentrating - through mergers and acquisitions - into a small group of very large conglomerates that dominate the provision of national and international essential services.

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