ASU –Submissions
Senate Standing Committees on Economics

Privatisation of state and territory assets and new infrastructure

2015

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Date: 30TH January 2015

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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 120,000 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, information technology.

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)
- 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.[1]

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. The ASU is a significant advocate and our issues are representative of all Australians.

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[1] Parliament of Australia, www.aph.gov.au 2013. Final report on the majority finding of the Expert Panel on Constitutional Recognition of Local Government; the case for financial recognition, the likelihood of success and lessons from the history of constitutional referenda. [ONLINE] Available at: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jsclg/localgovt/finalreport.htm

Introduction

The Australian Services Union welcomes the opportunity to make a submission to this important Senate Inquiry. Whilst we will not be addressing all the terms of references (listed below) our submission will provide views on a number economic issues relating to the privatisation of assets as well as draw attention to various issues which are often overlooked in these debates. We will conclude with our perspective on alternative mechanisms for raising funding which is required for much needed infrastructure.

As part of our submission, we will draw on examples from essential services such as the electricity industry and water services but will also refer to other cases studies in Australia as well as overseas.

Terms of Reference

(a) With regard to the role of the Commonwealth in working with the states and territories to fund nation-building infrastructure

(i) The appropriateness of the Commonwealth providing funding

(ii) The capacity of the Commonwealth to contribute an additional 15 percent, or alternative amounts, of reinvested sale proceeds;

(b) The economics of incentive to privatise assets;

(c) What safeguards would be necessary to ensure any privatisations were in the interests of the state or territory, the Commonwealth and the public;

(d) The process for evaluating potential projects and for making recommendations about grants payments, including the application of cost-benefit analyses and measurement of productivity and other benefits;

(e) Parliamentary scrutiny;

(f) Alternative mechanisms for funding infrastructure development in states and territories

(g) Equity impacts between states and territories arising from Commonwealth incentive for future asset sales; and any related matter.

Quality public services

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.*[2]

In addition, there are strong economic, accountability and control reasons for maintaining government ownership. In this submission we will give particular attention to public assets in areas of essential services and industries which display natural monopoly characteristics.

[2] 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 20 January 2015.

Role of the Commonwealth

Fiscal imbalance

There are significant shortfalls in funding going to state and local governments in Australia. At the same time, the federal government has considerable capacity to raise revenue through various measures (including the capacity to adopt fairer taxation measures to ensure that wealthy individuals as well as multi-national corporations pay their fair share of tax).

Much of the current shortfall in infrastructure funding for state and local government is a consequence of the fiscal imbalance between the three levels of government. However privatisation through the sale of public assets, particularly essential services and infrastructure, cannot be adequately justified on economic grounds or the public interest. As such financial inducements, such as those offered by the federal government to state governments to encourage privatisation measures, are somewhat short-sighted.

Economic issues of the incentive to privatise assets

Privatisation and deteriorating funding streams

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.

Whilst privatisation may provide an initial injection of funds into the state 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 privatise, 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.

However, it is understood that under measures announced in 2013, where a state government privatises a state owned asset, the federal government has agreed to pass on the corporate tax paid by the private owner to the state government. Certain conditions are attached to this measure but are designed to encourage the sale of assets for reinvestment in infrastructure.

It should be noted however that over time, tax minimisation strategies of private corporations significantly reduce the amount of anticipated taxes from the new private owners of the assets. This latter point will be explored in more detail, later in this submission.

It must also be said that there are often a number of broader commitments which fall within the realm of the public sector which are often not factored into costings when proponents of asset sales are presenting their case scenarios. Many of these broad commitments provide benefits to communities and when those commitments are lost it can often be a significant blow to the resilience of local communities – particularly in regional and rural areas. There will be some attention given to this issue in later pages.

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 tax payers, particularly if an increasing number of regional economies are negatively impacted by the loss of local public sector utilities and employment opportunities as this submission will indicate.

A number of academic studies have exposed the fallacy of economic justification for competition theory and asset sales, particularly in regard to essential services. Some of these studies will be explored in the submission along with research findings from various government departments, research centres, labour organisations as well as information drawn from the vast knowledge of our members employed in a broad range of industries.

Natural monopolies and essential services

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.

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 Queensland [3] 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]

[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] Quiggin, J, '*Privatisation is not a magic pudding', 22 August 2014*, http://johnquiggin.com/2014/08/22/privatisation-is-not-a-magic-pudding/ viewed 16 October 2014.

It should also be noted the public sector industries which are natural monopolies or have oligopolistic structures should be considered particularly unsuitable for competitive markets and privatisation for a number of reasons. Chief among these is that the market power gained by the private owner would give them the capacity to abuse their position in favour of shareholders but against the public interests.[5]

'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.[6] However, it could be argued that there are various other services which are also considered essential in a modern society.[7]

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.

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.[8] 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.

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[5] It should be noted at this point that 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).

[6] 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.

[7] 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, 'Minding the Streets'; on the City of Sydney Council website <http://history.cityofsydney.nsw.gov.au/sydneystreets/Minding_the_Streets/Street_Cleaning/default.html>.

[8] For 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

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"[9]

In a number of countries, the risk and costs associated with the privatisation of essential services has proved to be too high. Service quality issues and price escalations have contributed to increased public concerns which have resulted in privatisation processes being reversed in several countries – as the following case study demonstrates.

<u>Case study – Water – reverting to public control</u>

In 2014 the three organisations - Transnational Institute, Public Services International Research Unit and the Multinational Observatory - released a report which revealed that more than 180 cities and communities in 35 countries have reassert public control and ownership of water services. The PSI described the issue in the following terms:

This process of reverting to public control of services, known as remunicipalisation, is taking place in both the North and South, including in prominent cities such as Buenos Aires, Johannesburg, Paris, Accra, Berlin, Atlanta and Kuala umpur. Remunicipalisation is also accelerating: 81 remunicipalisations took place in high-income countries between 2010-2014, double the number of the five previous years. Over the same period, there have been very few new cases of water privatisation in large cities.

Most noticeably remunicipalisation is surging in France, the country with the longest history of water privatisation and home to the leading water multinationals. French local authorities and citizens have experienced first-hand the "private management model" that global water companies Veolia and Suez have sought to export to other countries.

The reasons local policy-makers are putting water back under public control are similar across the world. They include poor performance, under-investment, soaring water bills, lack of transparency and poor service quality.[10]

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.[11] Strategies designed to encourage their sale to private enterprise are therefore somewhat misguided.

[9] John 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

[10] Public Services International,. < http://www.world-psi.org/en/water-remunicipalisation-global-trend > accessed 20 January 2015

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

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 Quiggin[12] who wrote a comprehensive study of e*lectricity privatisation in Australia.*[13] 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[14])
- failure to deliver anticipated operational efficiencies as resources have been diverted away from operational functions.[15].

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:

> *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.*

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.[16]

Quiggin's extensive study concludes that:

> *Privatisation has produced no benefits to consumers, but has resulted in large fiscal losses to the public.*[17]

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:

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[12] John Quiggin Opinion and Consulting, Op. Cit.
[13]Ibid.
[14] Ibid p7.
[15] Ibid. p5.
[16] Ibid. p7.
[17] Ibid p39.

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.[18]

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". [19]

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.

[18] Toner, Op Cit, p6
[19] Mike Seccombe, "Sell! Sell! Sell!", *The Saturday Paper*, 4-10 October 2014 p8.

Increased costs for consumers and service disconnections

Whilst proponents of the competition and privatisation often claim that the processes would result in cheaper costs for consumers, in reality the process rarely produces favourable outcomes for consumers in the long term.

When you consider that private corporations having to pay more to borrow money than governments do, it is understandable that they look around to see how they can cover costs while making profits for the shareholders. In addition, they often have to cover huge marketing costs and significantly higher executive salaries (as compared to those of public entities).[20] Understandably there is pressure to increase consumer charges.

Once essential services are privatised, consumers end up paying extra costs in the future, in order to use the assets they once owned! [21] However, in some instances governments have sought to increase the sale price of assets by raising consumer costs prior to privatisation or allowing price increases after privatisation.[22]

Companies with significant market power are able to use this power to increase costs significantly. In relation to privatised electricity companies, they can even create artificial shortages of electricity to force the price up to very high levels.[23]

Whilst regulatory authorities may introduce pricing controls to put limits on escalating consumer costs, such regulatory controls can present new challenges for the industry and consumers. (This point will be explored later in this submission).

<u>Service Disconnections</u>

When the public is charged more for basic essential services, it has a significantly negative impact on community members who are on low incomes and face possible disconnection as a result of increases. In addition, increased charges for essential services (such as electricity) can also have a crippling impact on small business - with subsequent implications for local economies.

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[20] See article by Sharon Beder, visiting professor at the University of Wollongong and the author of Power Play: The Struggle to Control the World's Electricity, her article titled "*Privatisation provides no dividends for the poor"* appeared in the SMH, 10 January 2014. < http://www.smh.com.au/comment/privatisation-provides-no-dividends-for-the-poor-20140109-30k95.html > accessed 27 January 2015.
[21] Toner Op. Cit, p8.
[22] John Quiggin Opinion and Consulting, Op. Cit. p12.
[23] Toner, Op. Cit.

It is worth mentioning at this point that South Australia, which has a fully privatised electricity industry for over 15 years,[24] has consistently had higher charges for electricity compared with other states. Indeed, the cost of the privatised electricity in South Australian was much higher than the consumer electricity costs in NSW prior to the privatisation in NSW. [25] Significantly, reports by both the AECM[26] and the Victorian Essential Services Commission (ESCV)[27] indicated that South Australia continues to have high electricity prices as well as the highest rates of electricity disconnections, many of which are the result of customers unable to pay bills on time.[28] According to the Australian Energy Regulator, Tasmania, followed by South Australia have the highest energy costs as a percentage of disposable income for low income households.[29]

Case study: electricity disconnections

A report by The Essential Services Commission Victoria provided information on customer service that retailers provided to Victorian electricity and gas consumers in 2012-2013. The report included comparative data from different states and included data on the number of disconnections per state. Below is an extract of this information, showing the rate of residential electricity disconnections for the period 2011-12 and 2012-13

Disconnections, by Jurisdiction –Residential Electricity Per 100 customers, 2012-13		
Jurisdiction	2011-12	2012-13
Victoria	1.02	1.07
New South Wales	0.80	na
ACT	na	0.05
South Australia	1.35	1.50
Queensland	1.16	0.94a
Tasmania	0.08	0.46
Western Australia	0.87	0.72

Source: Extract from Essential Services Commission, *Energy Retailers Comparative Performance Report – Customer Service, 2012-13*, Table 3.2 p31, citing Data sources including Independent Pricing and Regulatory Tribunal (IPART), Essential Services Commission of South Australia (ESCOSA), Economic Regulation Authority (ERA), Department of Energy and Water Supply (DEWS), Australian Energy Regulator (AER).

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[24] Amid considerable controversy the South Australian Government had privatised the electricity industry in 1999.
[25] Toner op. cit p8, citing NSW Commission of Audit (2012:196)
[26] See Australian Energy Market Commission (AEMC) Final Report, 2013 Residential Electricity Pricing Trends available from the AECM website, < http://www.aemc.gov.au >.
[27] Essential Services Commission Victoria (ESCV)Energy retailers comparative performance report – customer service 2012-13 Table 3.2, p31 available from www.esc.vic.gov.au/Energy/Energy-retail-performance-reports > accessed 20 January 2015.
[28] See also the Australian Energy Regulator (AER), State of the Energy Market 2014, published by Australian Competition and Consumer Commission, Melbourne, 2014, Figure 5.7, p 140 < https://www.aer.gov.au/sites/default/files/State%20of%20the%20energy%20market%202014%20-%20Complete%20report%20%28A4%29.pdf > accessed 30 January 2015.
[29] Ibid.

As can be seen from the table above, energy companies in South Australia have initiated the highest number of disconnections, at the rate of 1.50 per 100 customers. This is followed by Victoria which had a rate of 1.07 per 100 customers.

Additional information provided by Essential Services Commission noted an increase in the proportion of disconnected electricity customers who were concession card customers. [30] The Commission also noted that:

> As a result of energy price increases, the Victorian Government increased its spending on energy concessions by 26 per cent in 20011-12 and 13 percent in 2012-13.[31]

In 2014 the South Australian Council of Social Service (SACOSS), the peak body for the community services sector in South Australia, made a submission to the Australian Energy Market Commission 2014 Retail Competition Review. In that submission SACOSS referred to the electricity prices and rate of disconnections in South Australia and stated that their research showed that that "the cost of basic necessities like electricity impacts greatly and disproportionately on vulnerable and disadvantaged people".[32]

Profits going overseas

Multi-national and transnational corporations trawl the globe for safe and profitable investment opportunities that can become available when governments decide to privatise essential services. On a global scale, privatisation measures have helped bolster the size and influence of such corporations, many of which have an annual profit turnover which dwarfs that of whole nation states.

It should also be noted that the finance sector and associated companies (which may include some consulting, legal and accounting firms which advocate privatisation) whose sky scrapers dominate our cities, also profit heavily as a result of privatisation and pre-privatisation preparations.

Because of the rising dominance of global corporations, the role of civil society becomes increasingly significant in debates about the relationship between governments and business. [33]

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[30] ESCV, Op cit p38.
[31] ESCV Op. Cit, p 41.
[32] SACOSS submission to Australian Energy Market Commission, in relation to the 2014 Retail Competition Review Approach Paper, dated 26 February 2014 < http://www.aemc.gov.au/getattachment/fd384bb1-c7a5-4b42-a337-b1e59501ccd8/SACOSS.aspx > accessed 20 January 2015.
[33] This point appears to be understood by the international accounting firm KPMG who has been active in promoting privatisation measures. The organisation collaborated in a project which resulted in the report titled *The Future Role of Civil Society*, published by the World Economic Forum <http://www.weforum.org/reports/future-role-civil-society>.

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.[34]

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.

Case Study: UK railway Experience

Crucial lessons can be learnt from experiences in the UK where the Conservative government established a complex structure for the rail industry in preparation for privatising the railway system in the 1990s. Subsequent to the restructure and privatisation, fares escalated and significant accountability issues developed. [35]

The Conservative Party's shadow transport spokesperson, Chris Grayling admitted to some of these negative consequences when he stated the following:

"We think, with hindsight, that the complete separation of track and train into separate businesses at the time of privatisation was not right for our railways. We think that the separation has helped push up the cost of running the railways—and hence fares—and is now slowing decisions about capacity improvements. Too many people and organisations are now involved in getting things done—so nothing happens. As a result, the industry lacks clarity about who is in charge and accountable for decisions."[36]

In the UK, twenty of the twenty seven private rail contracts are now owned by foreign state owned/backed railways.[37] These are mostly France, Germany and the Netherlands. The UK now has the highest rail fares in Europe. Consequently there is mounting community concern that the sale of public railways in the UK has resulted in foreign states being able to benefit from lower fares and better services in those European countries, at the expense of UK passengers.

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[34] See discussion in John Quiggin Opinion and Consulting, Op Cit. p7.
[35] BBC, "Tories change policy on railways", *BBC Online*, 17 July 2006 <http://news.bbc.co.uk/2/hi/uk_news/politics/5186196.stm> Accessed 28 November, 2014.
[36] Ibid.
[37] Rmt, website, article "Research Shows three quarters of UK Rail Now Foreign Owned", <http://www.rmt.org.uk/news/research-shows-three-quarters-of-uk-rail-now-foreign-owned/ . accessed 28 November 2014.

Higher costs as well as loss of control and accountability have been the consequence of the privatisation and preparations for privatisation. As a major mode of transport for the working population and job seekers, such consequences can have a dragging effect on the productive output of the nation.

Indirect economic impacts

The role of the public sector is much broader than the limited profit focus of corporations. As such, the activities of the public sector take into consideration the future needs of the wider economy and public interest. The loss of these commitments is not without longer term economic cost. This section will provide comment on some of these issues.

Reductions in research, development and maintenance

Ongoing investment in research and development can be important in improving efficiency and safety in industries. Privatisation can displace investment decisions based on the need for asset maintenance and forward planning, replacing them with a pricing formula aimed at maximising the rate of return for shareholders.[38] The subsequent neglect of asset maintenance can have significant effects on service quality as well as community safety.

Despite claims about improved efficiency and productivity from privatisation, communities in Victoria found that after the privatisation of electricity, resulted in a decline of maintenance, safety and reliability. [39] Some of the consequences can dramatically affect the lives of community members. For example the Black Saturday Bushfire Royal Commission found that poor maintenance of the privatised power lines was responsible for the major fires which resulted in many deaths and significant property damage in Victoria.[40]

Dr Toner has noted that the loss of vertical integration in the industry reduced the 'critical mass' necessary for research and development (R&D). Other factors include the substantial foreign ownership of privatised electricity assets making it less likely for R&D to be undertaken outside of the global headquarters. In addition, there is the reduced willingness of private firms to co-operate on R&D for fear of sharing valuable information in case it provides competitors with advantages. Private firms are also less likely to engage in public good R&D if it detracts from profit making. [41]

In addition, overseas studies have also pointed to reductions in research and development as a consequence of privatisation. For example in the United States, M. Granger Morgan head of the Department of Engineering and Public Policy at Carnegie Mellon University and Susan Tierney, a

[38] Sharon Beder, 'The Real Cause of Electricity Price Rises', *Australian Options*, Autumn 2013, pp 14-16, <http://www.uow.edu.au/~sharonb/pricing.html > accessed 26 November, 2014.
[39] See Quiggin Consulting, p 12, see also Electrical Trades Union (ETU) website news article < http://www.etu.org.au/news/victorian-electricity-privatisation-experiencedont-let-it-happen-here>
[40]Ibid.
[41] Toner, Op. Cit, p 14.

principal at the Economics Resource Group acknowledged a reduction in electric and gas industry private R&D funding. For example, funding for research and development had gone through reductions in absolute terms and a reduction in basic research by two thirds from 1995-1996. The article noted a few explanations for this but emphasised that "a more important contributor is a fundamental change in regulatory philosophy, based on a growing belief in the benefits of privatisation and a reliance on market forces".[42] The article noted that in the face of competitive threats, power companies have "shortened their time horizons" and" increased their focus on short-term issues of efficiency and cost control."

[42] M Granger and Susan F. Tierney, article titled 'Research Support for the Power Industry' , *Issues in Science and Technology* , Fall 1998.

Reduced investment in traineeships and apprenticeships

Public sector utilities make considerable efficiency improvements through investment in apprenticeship and cadetships. Such investments also assist the government to fulfil other broader economic and social commitments by assisting to address skill shortages and ensuring an adequate supply of skilled, trained workers to meet the future needs of the economy and industry.

Local communities tended to view such commitments as an investment in young local workers who would become the future skilled workers of local industry.

In some government utilities, investment in traineeships has involved commitments to maintaining specific apprenticeship numbers or proportions of the overall workforce by way of enterprise agreements and other industrial instruments.

In addition, studies by the National Centre for Vocational Education Research (NCVER) show that apprentices with government employers are more likely to complete their apprenticeship as compared to those in private sector employment. This was shown in a 2014 NCVER Occasional Paper which noted that completion rates that apprentices with government employers were approximately 25 to 30 percentage points higher than those with private employers or group training organisations. [43]

However the experience in a number of industries have shown that, as the focus shifts toward profit making (with the privatisation of utilities), there is a decline in investment in training and apprenticeships. An examination of data in particular industries indicates that the privatisation process results in a considerable decrease in investment in apprentice training.

Unfortunately, in more recent times some government strategies have adopted the tactic of curbing the multiple public sector objectives in preparation for privatisation. For example, various Unions have reported reduced commitments to apprentice intakes in some states as the governments work toward the privatisation of particular utilities. In some cases, it has been argued that this has been done with a view to making the asset sale appear more attractive to private corporations. [44]

The ASU previously explored this issue in a submission in response to the Draft Energy White Paper 2011.[45] Within that submission information was provided which noted that the largest contribution to the employment of trainees and apprentices in the Australian electricity distribution industry was by the publically owned and operated providers. The following table provides an extract of some of the

[43] Alice Bednarz, National Centre for Vocational Education Research, Australian Government Department of Industry, Occasional Paper, *Understanding the non-completion of apprentices*, NCVER, 2014, Adelaide, page 24, available on NCVER website < http://www.ncver.edu.au > accessed 20 January 2015.

[44] See for example, ETU Media Release 14 October 2014, 'LNP, Energex privatisation push sells out future generations: Energex set to slash apprentice numbers, Ergon and Powerlink expected to follow suite.' < http://not4sale.org.au/sites/default/files/get-the-facts/LNP%20Energex%20selling%20out%20the%20future%20141014.pdf > Accessed 20 January 2015.

[45] ASU 2011, submission to Australian Government, Department of Resources, Energy and Tourism, Draft Energy White Paper 2011 Consultation.

information on apprentice recruitment in 2010-2011 that was provided in a table within that submission. Whilst there are many variables which should be considered when analysing such data, it nonetheless provides a useful indication of the different approaches to apprentice recruitment.

Table showing Apprentice Recruitment 2010-11, Public and Private Electricity Distributors, NSW and Queensland

Publically Owned	Number recruited 2010-11
Ausgrid	153
Endeavour	60
Energex	76
Ergon	61
Essential	102
Horizon	0
Western Power	0
Public Average	**65**
Private Operators	
Actew/AGL	42
Alinta	0
Aurora	47
CitiPower	19
Power and Water	21
SP Ausnet	0
Private Average	**22**

Source: ASU submission to Draft Energy White Paper 2011, extract from Table p: 8 which was Based on Annual Reports

As can be seen from the table above, an average of 65 apprentices were recruited by publically owned authorities while the private operators had a significantly lower average of 22 apprentices.

On 11 August 2014, the ETU NSW raised alarm about the dramatic reduction of investment in apprentices in the electricity poles and wires companies[46] in the lead up to privatisation by the Coalition State Government. The ETU media release noted that for the first time in more than half a century there are expected to be no new apprentices starting in the electricity poles and wires companies in NSW. In addition, the NSW Secretary noted:

[46] ETU, Media Release, "No New Apprentices for NSW", ETU website, < http://www.etunsw.asn.au/etu-media-releases/no-new-apprentices-for-nsw-electricity-network-as-companies-fattened-up-for-privatisation >

> *"At the start of 2011, Endeavour Energy, Ausgrid and Essential Energy hired a combined 315 new apprentices across NSW…. By this year [2014], the number of new apprenticeships offered had plunged to just 88."*[47]

On the 7 January 2015, an ETU media release reported that 15 electrical apprentices with the NSW Government-owned Endeavour Energy were advised of their impending termination and a further 41 apprentices who recently completed their fourth year of training were offered six month job contracts. This was the first time that graduating apprentices were being terminated.

The ETU also noted that Ausgrid told 130 apprentices they would be placed on six moth contracts rather than being given full time employment.

The ASU is of the opinion that this loss of commitment to training will contribute to skill shortages in future generations and can have long term economic and social impacts on individuals, communities and the economy. However such losses are often not taken into account by advocates of privatisation who see benefit in the narrow profit making focus of corporations rather than wider public interests or the impact on young workers and their families.

Case Study – Victoria electricity

Victoria's State Electricity Commission (SEC) generated and sold power to Victorian consumers from 1926 to 1998. In every single year it reduced the real price of power to customers. This meant that for ordinary households buying electricity took a smaller part of their earnings in each successive year.

Since privatisation, however, electricity prices to the consumer have gone up 50 per cent.

Managing price was undoubtedly the SEC's crowning achievement. But the SEC also trained thousands of apprentices in electricity and other workplace skills. Eventually, many of these highly skilled tradesmen found their way into the wider workforce. In a similar manner, the SEC also trained engineers and other skilled workers, not all of whom chose to remain in the commission's employ. Either way, the community got the benefit of skills-training provided by the SEC.

The current Economic Affairs, Privately-owned generating company does none of this.[48]

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[47] -Ibid.
[48] Colin Teese, article *"Privatisation has failed to deliver cheaper electricity", NewsWeekly, 1 May, 2010, < http://newsweekly.com.au/article.php?id=4292 > accessed 20 January 2015*

Community resilience in regional and rural areas

State owned corporations help to support regional areas and fragile economies in a number of different ways. First, they 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 there services in large centres).

Second, local workers help support families who, in turn, are able to be active in their communities – whether it be through sporting groups, religious organisations, 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 and this can be evident in diverse ways. For example, Councils and public utilities which maintain sizeable plant and machinery are able to use these at times of emergency following floods or fires. They are able to respond in a flexible manner to attend to the consequences of natural disasters. For example council bulldozers are often used to assist in fire prone areas, which 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. Utility workers were involved with operating water and energy infrastructure to mitigate dames and ensure the quickest possible return to services after flood waters recede.

Workers in local government and public utilities are often mobilised early in times of community crisis and disasters. 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.

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.

Social impacts of privatisation, the impact on quality of life in rural and regional economies, as well as the impact on social equity[49] can be a drag on the social fabric of communities and their economic activity. Consideration should be given to the impact on local communities resulting from decisions made at the federal and state levels.

Indeed, Kofi Annan recognised the significance of the partnership of state and local authorities when he said:

> *A state which treats local authorities as partners, and allows public tasks to be carried out by those closest to the citizens will be stronger, not weaker.*

Elected representative who have an interest in the vibrancy of rural and regional areas are more likely to understand the significance of the privatisation of public services and assets on struggling communities.

Given the reduced commitments and services outlined above, it could be argued that the privatisation processes results in the inadvertent squeezing out of broad commitments which governments have made to the citizens of this nation. It consequently limits the capacity of government to deliver on a range of commitments which citizens expect of their governments. In short, it overrides the values of 'a fair go' for communities – making it more difficult for them to build resilience.

> Victorians were told by Jeff Kennett that privatisation of electricity would create jobs and reduce prices. But twenty years on, it is evident that the opposite is the reality as costs dramatically escalated and electricity network jobs fell from over 10,000 to 2,000.[50]

[49] It should also be noted that the privatisation of some services can have particular consequences for people of culturally diverse backgrounds. This issue was explored in the 1997 Department of Immigration and Multicultural Affairs (DIMA) publication *Impact of Contracting Out on Female NESB worker: Case Study of the NSW Government Cleaning Service*, researched and written by Lyn Fraser. The research was under the auspice of the of the Ethnic Communities Council of NSW and funded by the then Bureau of Immigration, Multicultural and Population Research (BIMPR) which was later subsumed into the Research and Statistics Branch of the Department of Immigration and Multicultural Affairs (DIMA).

[50] ETU loc cit. News, *Victorian Electricity Privatisation*.

Safeguarding public interests

The notion of safeguarding the public interest while selling public assets is a difficult, if not an impossible brief because the very nature of the privatisation process is such that levels of accountability, control and transparency are relinquished in the process.

Loss of accountability, transparency and control

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'.

Within the domain of the public sector there exists a number of measures designed to safeguard the public interest. Democratically elected governments are accountable to voters. Their decisions are 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.

Privatisation negatively affects the public interest by reducing public scrutiny, transparency and accountability. 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. [51]

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.

[51] 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.

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 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.[52]

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.[53]

More recently there has been considerable criticism in NSW resulting from the November 2014 draft decision of the Australian Energy Regulator (AER). The AEA signalled reducing by $6.5 billion the revenue NSW electricity distributors are allowed to raise through network charges over the next five years. Union and community concerns include issues relating to the consequent significant loss of jobs for state owned power companies and the impact it would have on maintenance affecting reliability and safety of workers and the public.[54] In addition, the decision of the regulator has sparked concerns about the impact such a decision would have on the economy and social fabric of regional areas which rely on the income generated by local public sector power workers.

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

[52] 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/

[53] Toner, Op Cit. p3

[54] Sean Nicholls, "Union fears up to 46000 job losses in energy sector", Sydney Morning Herald, January 24-25 2015 p5.

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.

Public opposition to privatisation

There is considerable public opposition to privatisation because of experiences of the longer term negative economic and social impacts. As a consequence, governments of various political persuasions have experienced an electoral backlash when pushing privatisation agendas [55]

The extent to which governments take into account the views of the public on privatisation, can be viewed as a reflection of their degree of commitment to democratic processes and the interests of the population over and against the interests of corporations.

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. To a large extent, this submission takes the opportunity to explore the failures of asset sales and negative consequences for communities and the nation as a whole.

A more recent strategy use 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.[56]

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[55] In recognition of this, some politicians and advocates go to significant lengths to avoid using the term 'privatisation' and may use other euphemisms for the same strategy. Some adopt strategies which can be referred to as "privatisation by stealth" and insist on low profile measures in an attempt to avoid attention or public scrutiny. For critical discussion on the tendency of various governments to ignore public opinion on privatisation and the electoral consequences see Mike Seccombe Op. Cit.. , "Sell! Sell! Sell!", *The Saturday Paper*, 4-10 October 2014 p8.
[56] Seccombe, Ibid..

Alternative mechanisms

Section (g) Alternative mechanisms for funding infrastructure development in states and territories

The ASU is of the view that, rather than encouraging the sale of public assets, there are alternative mechanisms which can be used for funding infrastructure development in states and territories.

For example, there is merit in the argument that valued infrastructure should be funded through debt and taxation.

Recent data from the OECD (updated 4 June 2014), showed that Australia's debt was very low in comparison to the 32 economies within the OECD. Australia had the third lowest rate of general government gross financial liabilities as a percentage of GDP when compared with over thirty other economies.[57].

In addition to our low national debt levels, state government debt is also low in comparison to the OECD average. (For example the NSW General Government net debt as a ratio of Gross State Product (GPS) was just 3.0% in 2011-2012 and was 1.4% of GSP as at June 2014.[58] Whilst the level varies from state to state, they are still very low by comparison to the OECD average.)

When we considering the fact that governments are in a position to borrow money at much lower rates of interest than private corporations, it makes good economic sense for state governments to retain valued state assets and borrow finance to invest in more infrastructure which will be of benefit to communities and the productivity of the nation.

Another avenue would be to further exploration possibilities in relation to the superannuation industry which could make further contributions to Australia's infrastructure needs. Whilst the industry already makes a significant contribution, it is likely that the availability of broader opportunities could satisfy the industry need for stable long term returns while assisting in infrastructure investment. Formulas for long term borrowings from super funds would need to be at rates suitable for those seeking to benefit from their superfunds as well as the broader community who will benefit from the infrastructure. However care must be taken with this course of action and will require considerable consultation.

[57] OECD, Government Debt, Table showing General government gross financial liabilities as a percentage of GDP, < http://www.oecd-ilibrary.org/economics/government-debt_gov-debt-table-en > accessed 29 January, 2015.
[58] See NSW Treasury, *Report on State Finances 2013-14*, section 4.8 Net Debt, < http://www.treasury.nsw.gov.au/__data/assets/pdf_file/0020/125183/2013-14_NSW_Report_on_State_Finances_dnd.pdf > accessed 29 January 2015.

Another key issue is that a lot more could be done to ensure that large corporations (particularly multi-nationals) pay their fair share of taxes and that some of the increased revenue from such sources could assist in addressing vertical fiscal imbalance and infrastructure needs. This issue is explored in more detail below because members of the community are becoming increasingly frustrated that they are being called upon to do more-with-less while large profitable corporations appear to be able to significantly lower their tax obligations and avoid paying their fair share of taxation.[59]

Unfair tax practices were revealed in a report issued by the Tax Justice Network – Australia.[60] The report examined the tax practices of all ASX 200 companies. The findings of the report revealed that overall, the effective tax rate of these companies over the last decade was 23%, which is below the statutory rate of 30%. The Tax Justice Network revealed the following:

> *Within the ASX 200 companies:*
>
> - *Nearly one third have an average effective tax rate of 10% or less;*
> - *57% disclose having subsidiaries in secrecy jurisdictions; and*
> - *60% report debt levels in excess of 75% which may artificially reduce taxable profits.*[61]

The Federal Treasure, Hon Joe Hockey acknowledged that estimates indicate that Australia is missing between $1 billion and $3 billion a year in revenue as a result of the activities of some corporations.[62]

On 9 December 2014, The Treasurer, announced that the Federal Government would make sure that companies that earn profits in Australia pay tax in Australia. In support of this claim the Treasure stated that that "The Australian Tax Office has been given 60 extra staff to embed teams of auditors in 10 multinational companies which operate in Australia" [63]

However, the ASU shares concerns of many in the community with regard to the disingenuous nature of the statement. There are a number of reasons for this.

First, in the May 2014 Federal Budget, the Federal Government announced the shedding of approximately 3,000 staff from the Australian Taxation Office. These job cuts were implemented by 31

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[59] Heath Aston and Georgia Wilkins, 'ASX 200 company tax avoidance bleeds Commonwealth coffers of billions a year, report finds', Business Day, *Sydney Morning Herald*, 29 September 2014, < http://www.smh.com.au/business/the-economy/asx-200-company-tax-avoidance-bleeds-commonwealth-coffers-of-billions-a-year-report-finds-20140928-10n3n3.html#ixzz3EfCVCXdu > accessed 27 November 2014.
[60] United Voice and the Tax Justice Network - Australia, in consultation with corporate tax expert Dr Roman Lanis of the School of Accounting at the University of Technology, Sydney, *Who pays for our common wealth? Tax practices of the ASX 200*, < http://www.unitedvoice.org.au/news/who-pays-our-common-wealth > accessed 27 November 2014.
[61] Ibid p3.
[62] ABC, "Tax crackdown: Treasurer Joe Hockey announces plans to embed auditors in multi-nationals' offices", updated 9 December 2014, <http://www.abc.net.au/news/2014-12-09/tax-crackdown-on-multinationals-hockey/5953782 > accessed 17 December 2014.
[63] Ibid.

October 2014. Without adequate staff numbers, the ATO is hindered in the process of revenue collection.[64]

Second, last year the current Liberal/Coalition government rejected Labor's proposal to abolish section 25-90 of the Income Tax Assessment Act 1997 which is at the centre of a number of big business tax avoidance arrangements.[65]

Third, the Treasurer's Mid-Year Economic and Fiscal Outlook 2014, released in December 2014 demonstrated an abandonment of attempts to introduce targeted changes to address the issue[66].

The Australian National University tax expert, John Passant, was quoted in the Sydney Morning Herald as stating the following:

> *"It is unfortunate in the extreme that the Treasurer and Treasury have listened to a group of rent seekers being unjustly rewarded by not repealing section 25-90. But since this is a government of the 1% that is not surprising and we can conclude in fact that Hockey's bluster about addressing tax avoidance by his rich mates is just that – complete and utter bluster"*[67]

Other free kicks are given to multi-national corporations by the current Federal Government when it includes Investor State Dispute Settlement (ISDS) provisions in Free Trade Agreements. The ISDS provisions undermine democratic processes by enabling foreign investors to sue governments for compensation where they consider domestic law or policy harms their investment. ISDS provisions enable corporate interests to override legitimate public policy measures which are in the interest of community health, workers' rights and environmental protection.

In summary, the funding of infrastructure could be assisted by ensuring that wealthy individuals and corporations pay their fair share of taxes. In addition, the Government should avoid giving multi-national corporation further assistance which is against the nation's interests – such as the wastage, additional costs and abuse of democratic processes which have been witnessed in many countries across the globe as a result of the inclusion of ISDS provisions within trade agreements.

Privatisation which results in the increased ownership of Australian essential services by multi-nationals and the interests of other nation states cannot be justified and will be to the longer term detriment of Australians. These companies cannot serve both shareholders and the customers in a way which assists and promotes the broad public interest.

[64] See ABC News "Budget 2014: Australian Tax Office to shed 3,000 public service jobs", Australian Broadcasting Commission, 9 May 2014, < http://www.abc.net.au/news/2014-05-09/budget-2014-australian-tax-office-to-shed-3000-jobs/5441972 > accessed 17 December 2014.

[65] Note the Media Release of Andrew Leigh MP, Shadow Assistant Treasurer, "Hockey Breaks Promise to Tax Multinationals", 17 December 2014.

[66] Australian Government, *Mid-Year Economic and Fiscal Outlook 2014-15*, released by the Treasurer, the Hon. Joe Hockey MP and the Minister for Finance, Senator the Hon. Mathias Cormann, released on 15 December 2014, < http://www.budget.gov.au/2014-15/content/myefo/html/index.htm > accessed 18 December 2014.

[67] Heath Aston, 'Hockey lets corporate tax avoiders off hook', *Sydney Morning Herald*, 17 December p1 & 4.

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 strip citizens of their rights, 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.

Since the global financial crisis (GFC), there has been increased awareness of the interrelated nature of national economies and need for adequate regulation of corporations. It is also noteworthy that in the shadow of the GFC the Managing Director of the International Monetary Fund, Ms Christine Lagarde, has identified growing inequality as "rising to the top of the agenda"[68]. In her 2014 speech on Economic Inclusion and Financial Integrity,[69] Ms Lagarde provided brief historical reflections on the risks of excesses within capitalism and the association with high unemployment, rising social tensions and growing political disillusion. She followed this reflection with the view that that economic growth must be inclusive, "favouring the many, not just the few." It is significant that the conservative institution, the IMF, appears to have developed an appreciation of the economic and social consequences of the mal-distribution of wealth.

Lagarde's statements are a salient reminder that wealth concentrated in the hands of the few can have significant far reaching impacts and is not without its economic and political consequences.

[68]Christine Lagarde, Speech on 'Economic Inclusion and Financial Integrity – an Address to the Conference on Inclusive Capitalism, London 27 May 2014, available on IMF website < https://www.imf.org/external/np/speeches/2014/052714.htm > accessed 27 January 2015.
[69] Ibid.

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