Submission to
The Senate Economics
References Committee

Inquiry into Privatisation of State and Territory Assets and New Infrastructure

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Introduction

The Queensland Nurses' Union (QNU) thanks the Senate Economics References Committee (the committee) for the opportunity to make a submission on privatisation of state and territory assets and new infrastructure.

Nurses[1] are the largest occupational group in Queensland Health and one of the largest across the Queensland government. The QNU is the principal health union in Queensland covering all categories of workers that make up the nursing workforce including registered nurses (RN), registered midwives, enrolled nurses (EN) and assistants in nursing (AIN) who are employed in the public, private and not-for-profit health sectors including aged care.

Our more than 50,000 members work across a variety of settings from single person operations to large health and non-health institutions, and in a full range of classifications from entry level trainees to senior management. The vast majority of nurses in Queensland are members of the QNU.

At the outset we state our objection to the privatisation of Commonwealth, state or territory assets for any purpose. The committee is seeking comments on incentives to privatise assets with a view to 'recycling' the proceeds into new infrastructure. This appears to presuppose that the sale of public assets – resources, property and holdings that belong to the Australian people – is a foregone conclusion. Although item (f) of the terms of reference seeks alternative mechanisms for funding infrastructure, this is but one of seven other items.

The QNU believes there are other alternatives the Abbott government must pursue to fund new infrastructure including a fairer taxation system where large business interests contribute more reasonably to Australia's economy. It is timely that the committee is also conducting an inquiry into corporate tax avoidance and minimisation. We suggest that there is common ground between the two inquiries where effective corporate tax avoidance measures and the introduction of a financial transactions tax could fund new infrastructure rather than selling off government-owned assets.

The financial transactions tax is a modest levy of up to 0.05% on the trading of specific financial instruments such as stocks, bonds, derivatives, futures, options and credit default swaps. It is sometimes referred to as the 'Robin Hood Tax'. Each time one of these

[1] Throughout this submission the terms 'nurse' and 'nursing' are taken to include 'midwife' and 'midwifery' and refer to all levels of nursing and midwifery including RNs, Midwives, ENs and AINs.

financial products is traded, the levy applies. The tax targets the large profits made on risky, high-volume trading rather than the everyday transactions made by the general population.

Recommendation

The QNU calls on the committee to:

- Oppose the Abbott government's high-risk plans to privatise state and territory assets and new infrastructure; and instead
- Investigate the implementation of a financial transactions tax at rates of around 0.05% (5 cents for every $100 being traded) as a fairer means of raising revenue to support the upkeep and expansion of government owned assets.

National Commission of Audit as an Ideological Platform for Privatisation of government-owned assets.

In October, 2013, the federal Treasurer, Joe Hockey, and the Minister for Finance, Senator Mathias Cormann (2013), announced a National Commission of Audit to "review and report on the performance, functions and roles of the Commonwealth government". The National Commission of Audit (the audit commission) released two reports (2014a, 2014b) recommending significant cuts to spending on healthcare, education, unemployment benefits and pensions, aged care, child care, family payments and the new National Disability Insurance Scheme (NDIS).

Under its terms of reference, the Abbott government gave the audit commission clear instructions to recommend ways to achieve its ideological objectives of reducing the role and functions of government and to reach a surplus target of one per cent of GDP within the next ten years. Given the partisan membership of the audit commission[2] and the nature of its terms of reference, there was no possibility the reports would represent an independent assessment of the national finances. Quiggin (2013) describes the solemn announcement by incoming Coalition Treasurers of the creation of an independent commission of audit to examine all areas of government spending as a 'theatrical ritual'. Indeed this ritual is inevitably the convenient precursor to harsh budget measures that break election promises.

[2] The Abbott Government appointed Tony Shepherd to chair its audit commission. At the time Mr Shepherd was president of the Business Council of Australia (BCA), a position he had held since late 2011. He was also chairman of listed company, Transfield Services, between 2005 and October 2013. The other Commissioners also had connections with the BCA or the Liberal party.

The audit commission's (2014a) very detailed terms of reference set by the Abbott government included the following:

Efficiency and effectiveness of government expenditure

The Commission is asked to report on efficiencies and savings to improve the effectiveness of, and value-for-money from, all Commonwealth expenditure across the forward estimates and in the medium term, including:

- options for greater efficiencies in the Australian Government, such as:
    - increasing contestability of services;
    - adoption of new technologies in service delivery and within government;
    - consolidation of agencies and boards;
    - rationalising the service delivery footprint to ensure better, more productive and efficient services for stakeholders;
    - flattening organisational structures and streamlining lines of responsibility and accountability;
    - consolidating government support functions into a single agency; and
    - **privatisation of Commonwealth assets**.
- potential improvements to productivity, service quality, and value for money across the public sector, including better delivery of services to the regions; and
- anything that is reasonably necessary or desirable to improve the efficiency and effectiveness of government generally.

The audit commission's reports mark the beginning of a wide-ranging agenda to change Australia through economic policy based on neo-liberal principles of small government and large private interests. An outdated ideology that finds its origins in the 1980s moves to dismantle the mixed economy and reduce the role of government informs the audit commission's reports and thus underpins the 2014 federal budget.

The QNU rejects the basic assumptions on the role of government put forward by the audit commission and the attempt to refashion the Australian economy and society through the privatisation of state and territory assets. The QNU believes government has a vital and effective role to play in the delivery of quality, cost effective services. The privatisation of Commonwealth assets is yet another of the Abbot government's predictable moves arising from the audit commission's recommendations.

An outdated Ideology

The outdated ideology informing the Abbot government can be found in the Thatcher and Reagan years where the oil price shock of the 1970s enabled them to implement an ideological agenda, rather than simply address the specific issues and problems of the time. The Abbott Government is applying the same strategy by using the post-GFC debt and deficits to attack national values and expectations of fairness and balance. It is an outdated approach and one that demonstrates the Abbott government's preference for looking backwards rather than determine a vision for the future.

As Quiggin (2013) noted prior to release of audit commission's reports:

> Advocates of commissions have learned nothing, and forgotten nothing, since Kennett's audit 20 years ago, which in turn reflected the political orthodoxy of the 1980s, based on microeconomic reform, privatisation and financial deregulation.
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> When commissions of audit began, there was a lot of excitement about new ways to involve the private sector in the provision of public services, epitomised by the hit American book of the time *Reinventing Government*. Some of those ideas, such as competitive tendering, have worked reasonably well, even if not up to their promoters' expectations. Others, such as PPPs, have been disasters, to the point that even insiders like Lend Lease have described the model as 'broken'.
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> In all probability, none of this experience will be reflected in the commission's report when it is released in January. Instead of a road map for Australian government in the 21st century, we will see the ideology of the 1990s used to support one last push for the policy agenda of the 1980s.

After a couple of decades we have had time to assess these market-based policies and it is obvious they have a mixed record. The appalling conduct of financial institutions led to the GFC and the need for governments to step in to resolve the market-created crisis.

There have been many "market" or private sector failures where governments have has to resume control of public hospitals, private road projects going bankrupt and the collapse of ABC Child Care, to mention just a few. Rural and regional Australians know they would have limited community services if they relied on "markets" to deliver them.

The QNU rejects the premise that markets are the starting point for public policy and that the private sector will deliver greater efficiencies. Human rights are the starting point for good public policy. Governments have a vital role to play in providing the infrastructure to support the needs of Australians. Governments can also run many programs and risk-management systems more equitably and cost-effectively for society as a whole than the private sector. Included in this are public hospitals, schools and universities.

Therefore governments can and must continue to play a major part in making life fairer and more secure for all, not just the "most" disadvantaged, the term now creeping into political discourse. In many areas such as healthcare and schooling, governments provide important quality services for everyone, not just a safety net. The sale of Commonwealth owned assets to provide infrastructure is a poor policy response to undertaking a fundamental role of government.

Privatisation in Health Care

In our view, creating a crisis in health spending provides this federal government with the impetus to promote and implement its agenda to privatise the health sector through a refrain of 'deregulation' and 'choice'.

Section 7.3 of the audit commission's report (2014a) makes this quite clear.

> Putting health care on a sustainable footing will require reforms to make the system more efficient and competitive. The supply of health services must increase in line with growth in demand and improvements in productivity are a natural way of ensuring this. More deregulated and competitive markets, with appropriate safeguards, have the greatest potential to improve the sector's competitiveness and productivity.

These tenets have resonated not only in the purpose of this inquiry but also in the recent *Competition Policy Review Draft Report* that aims to change competition policy settings to reflect a 'privatised' health system. Recommendation 2 – Human Services – of the *Competition Policy Review Draft Report* reads:

> Australian governments should craft an intergovernmental agreement establishing choice and competition principles in the field of human services. The guiding principles should include:
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> - user choice should be placed at the heart of service delivery;
> - funding, regulation and service delivery should be separate;
> - a diversity of providers should be encouraged, while not crowding out community and voluntary services; and

- innovation in service provision should be stimulated, while ensuring access to high-quality human services.

> Each jurisdiction should develop an implementation plan founded on these principles that reflects the unique characteristics of providing human services in its jurisdiction (Competition Policy Review Panel, 2014).

We recognise that the panel's recommendations were made within the context of competition policy, however we strongly oppose the elevation of market based principles in health service provision at the expense of government in providing free, high quality, accessible health care. The guiding principles appear to be premised on a fundamental acceptance that competition will automatically deliver better outcomes for Australians regardless of the sector. We reject this notion, in particular the claim that 'user choice should be placed at the heart of service delivery'. ***Quality and safety*** are at the core of health service delivery and it is the role of government to fund and provide it.

We are not saying there is no role for competition, rather that competition principles must not replace a fundamental responsibility of government towards is citizens. The audit commission's recommendations and those put forward in the *Competition Policy Review Draft Report* are at odds with our view of health care delivery, particularly as these two bodies are seeking to reorient fundamental understandings about competition and the role of government.

Various state governments have experimented with privatisation of hospitals and it has been less than successful in most cases. The Queensland government recently withdrew its plans to privatise a number of public hospitals following a major advertising and community based campaign by the QNU which pointed out the financial and clinical risks involved – risks confirmed by KPMG reviews of the Queensland Government's plans (KPMG, 2013).

Combined with its general view on the role of government, safety nets and increased private payments, the audit commission's proposals would eventually dismantle Australia's public hospital system and, as evident in places like the USA that run privately-dominated hospital systems, lead to massive financial risk for most low and middle income Australians. Competition policy in healthcare cannot favour private interests above the public interest, under the guise of 'choice'.

The audit commission's other key health/Medicare recommendations make it clear that it wants to force increasing numbers of people into private health insurance and out of a national, government-run social insurance arrangement and eventually leave free-at-the-point-of-service hospital care as a charitable system for the "most" disadvantaged. This is in keeping with its general undervaluing of government programs.

To commence this process, the audit commission recommends a number of initial changes to reduce spending on healthcare and hospitals and force high income earners into private health insurance.

Section 7.3 of the audit commission's phase one report (2014a) calls for a broader, long-term review (encapsulated in Recommendation 18) with a heavy emphasis on privatisation ideas such as a universal health insurance arrangement. Such a scheme would make health insurance mandatory for all Australians. The Commonwealth would pay premiums for low income and high risk groups and also pay for the health insurance of all children. It would be compulsory for people on higher incomes to take out private health insurance.

Under this scheme, Medicare would remain as the default insurer for those on lower incomes, with their premiums paid by government direct to Medicare. People on low incomes could alternatively choose a private health insurer, with their premiums still paid by the government.

The QNU strongly opposes this type of policy change. In Australia, where the public hospital system is mostly government-owned and run, we spend less than 10 per cent of our Gross Domestic Product (GDP) on healthcare services. In the USA, where the system is mostly privately owned and operated, they spend over 17 per cent of their GDP and still cannot provide equitable access to tens of millions of their citizens.

It may serve the Committee well to heed the advice of economist Professor John Quiggin (2013) on privatisation

> As regards privatisation, the most important change has been in public attitudes. When Kennett began his privatisation program in 1993, the public was sceptical but advocates assumed that voters would be happy once they experienced the benefits. In reality, 20 years of experience has hardened scepticism into unremitting hatred. In Queensland, an amazing 85 per cent of voters opposed the Bligh government's asset sales program. Not all of that was reflected at the ballot box, but enough of it was to reduce Labor to a handful of seats. Of course, it's open to advocates of privatisation to argue that ordinary people don't know what's good for them. But that claim sits very strangely with a rhetoric of free choice and individual responsibility.

Conclusion

The QNU is always willing to discuss genuine reform ideas. We are continually involved in negotiations for enterprise agreements and workplace initiatives aimed at improving the efficiency, productivity and efficacy of the health and aged care systems. However, we will oppose at every opportunity any attempts from conservative governments to privatise health care and sell government owned assets under the guise of productivity. We see these moves as an attack on the Australian way of life, one which new and established governments enter into at their peril.

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