

Additional Comments by the Australian Greens

1.1 The Australian Greens believe that public assets should remain in public hands unless there is a very compelling case for them to be sold. This senate inquiry into the privatisation of state and territory assets and new infrastructure has elicited important evidence demonstrating that selling public assets presents significant risks to the public interest, and that it is not a way to solve revenue problems.

1.2 The committee report is an excellent summary of the risks and issues involved when infrastructure funding is linked to privatisation. It is a clear exposition of the safeguards and accountability measures required when privatisation is considered. The evidence provided shows that it is vital to protect the public interest from sell-offs, which lead to higher prices, job cuts, attacks on workers' pay and conditions, declining services, and reduced revenue to state governments.

1.3 The Greens have opposed the government's Asset Recycling Initiative as an incentive to privatise assets. We believe that bribing financially stretched State Governments to sell assets in return for funding expensive urban freeways and tunnels shows a poverty of vision when it comes to funding for new infrastructure.

1.4 The Abbott government's Asset Recycling scheme is designed to push state and territory governments to privatise their public assets. 'Asset recycling' involves 15 per cent "bonus" payments to state governments that sell public assets and use that money to pay for so-called new infrastructure — mainly big privatised road projects. The report includes evidence that this 15 per cent incentive figure was determined not through any kind of economic analysis or analysis of loss of revenues associated with asset sales, rather it was decided upon as an apparently arbitrary figure following negotiations between the Commonwealth and state and territory governments.¹

1.5 The Greens echo the contributions of several witnesses recorded in the report, who provided evidence for seeking alternative funding mechanisms for infrastructure. We agree with the evidence of Mr Stephen Koukoulas who observed that, if it is worthwhile undertaking public infrastructure spending, it should be done regardless of whether there is asset recycling, and that it should be based on need and not any other incentive.²

1.6 While we support the overall intentions of the recommendations contained in the report, the Australian Greens feel that stronger emphasis needs to be placed in order to take into account the issues noted in these comments. We propose the following revisions to the report's recommendations.

1 Mr Chris Legg, Chief Adviser, Industries and Infrastructure Division, Department of the Treasury, *Committee Hansard*, 20 February 2015, p. 42.

2 Mr Stephen Koukoulas, Managing Director, Market Economics, *Committee Hansard*, 18 February 2015, pp 8–11.

Recommendation 1

1.7 The Australian Greens recommend that proper and rigorous analysis of total costs and projected benefits associated with privatisation projects be conducted when privatisation is proposed by governments at any level. Appropriate public consultation should be undertaken as part of this analysis, including consultation around transactions costs, the cost of creating an appropriate regulatory environment and compliance with those arrangements, the value of foregone income from state owned assets and appropriate discount rates to be applied to financial analysis.

Recommendation 2

1.8 The Australian Greens recommend that prior to proposed privatisation of assets, governments at all levels introduce appropriate regulatory arrangements and safeguards, including safeguards against anti-competitive behaviour to ensure that future costs are known and established; and mechanisms to ensure transparency of operations of the privatised entity.

Recommendation 3

1.9 The Australian Greens recommend that the 15 per cent funding to states under the Asset Recycling Initiative should be abolished. Decisions to fund infrastructure projects should be based on the community and economic need. The Commonwealth should contribute funding based on the merits of proposed infrastructure projects while considering the equitable distribution of funds across states and territories.

Senator Janet Rice

Australian Greens