

State government presses ahead with lucrative rail freight privatisation in Australia

Terry Cook
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After months of speculation the New South Wales state government has announced that it will privatise its \$1 billion rail enterprise FreightCorp early next year. The proposal to sell off FreightCorp in tandem with the Australian federal government's planned sale of the National Rail Corporation (NRC) was endorsed by a cabinet meeting last Thursday.

The sale of FreightCorp is the largest-ever privatisation of a publicly-owned asset in NSW, and the first since the Labor government led by Premier Bob Carr was forced to abandon its plans to sell the NSW power industry in 1998.

In a bid to head off potential opposition to the FreightCorp sale, Transport Minister Carl Scully put a motion to the cabinet meeting to “guarantee” that the Labor Party would not privatise the state's trains, buses, ferries, and track network.

The worthlessness of such a “guarantee” is shown by the Labor's government's own record on the privatisation of FreightCorp. Only 18 months ago during the 1999 state elections, Scully condemned the opposition parties for advocating such a policy and promised that FreightCorp would remain as a public entity if Labor retained office.

Speaking after last week's cabinet meeting, State Treasurer Michael Egan attempted to justify Labor's about-face by saying: “The decision was a choice between ideology and job protection and job protection won.”

Over the last four years alone, however, the government has axed thousands of jobs in order to make FreightCorp a “lean” and thus attractive proposition for potential buyers. Since 1996 the workforce has been slashed by 45 percent leaving only 2,200 staff, mainly in rural areas. As a result the enterprise has begun to pay substantial dividends to the

government of more than \$41.6 million a year.

If FreightCorp is privatised, the new owners will be compelled by the dictates of the market to cut less profitable freight services, particularly in more remote rural areas. Australian Manufacturing Union State Secretary Paul Bastian warned that the move “would cost hundreds of jobs, particularly in rural and regional NSW”.

The spokesman for the rural-based National Party George Souris commented that towns such as Werris Creek, Gunnedah and Dubbo, already hit by job losses in rail and mining, would be devastated if FreightCorp's future owner “started cherry-picking profitable areas”.

Treasurer Egan claimed that the government's offer of a \$70 million-a-year subsidy to the potential buyer would provide “job security” for the present workforce. But he was later forced to admit that the guarantee on jobs would not be indefinite but only “for a number of years”.

In 1998, the opposition of electricity workers compelled the so-called lefts in the Labor Party and the trade union bureaucracy to vote down the planned privatisation of the power industry at a Labor Party conference. None of them have opposed the sale of FreightCorp.

Prior to the cabinet decision, Bryce Gaudry, parliamentary leader of the left faction, expressed concerns about the “current closed-door approach” and called for “a broad, objective and factually based consultation involving unions and all sectors of the community” in line with ALP policy. Such “consultation,” however, is aimed at dressing up the government's plans that will lead to a further loss of jobs and deterioration in working conditions.

The main rail union—the Rail, Bus and Tram Union (RBTU)—has already made clear that it has no intention

of fighting the privatisation. Last week RBTU state secretary Nick Lewocki dismissed objections to the privatisation of FreightCorp as “ideologically driven drivel”.

With the backing of the NSW Labor Council, the rail union has advanced its own plan for the part-privatisation of the rail freight carrier. Several months ago the union engaged Price Waterhouse Coopers to prepare a series of options. Based on the accounting firm's report, the union leaders advocate the part sale of FreightCorp and its operation as a joint venture between the state government and a private company.

The rail union also proposed that the NSW government buy into the National Rail Corporation when it is privatised and run it as a joint venture with a private firm. At present the national rail freight carrier is 70 percent owned by the federal government with the remaining shares in the hands of the Victorian and NSW state governments.

The union plan was rejected last week by federal Finance Minister John Fahey. As Lewocki's remarks indicate, the rail union has no fundamental disagreement with full privatisation. Now that their own token proposal has been knocked back, the union leaders will no doubt quickly fall into line with the state government's plan.

Following the debacle over the sale of the power industry and considerable anger among NSW public sector workers over “outsourcing” and job losses, the Labor government has proceeded cautiously with the sell-off of FreightCorp. It is clearly a test case for the sale of other state assets, including the delayed privatisation of the power industry.



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