Infrastructure Australia calls for privatisation of public assets

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A report issued last month by Infrastructure Australia, a statutory body established in 2008 to give policy advice to the federal government, demanded the sell-off of a vast swathe of publicly-owned infrastructure assets. These assets have an estimated value of between $195 and $219 billion, and could be sold on the stock market for between $116 and $140 billion. Their privatisation would provide a bonanza for the major banks and corporate investors, while triggering substantial job cuts and higher costs of living for working people.

Since the 1980s, under the pressures of financial deregulation and ever more closely integrated globalised production methods, Labor and Coalition governments at both the federal and state level have sold off numerous public assets. The list includes banks, telecommunication providers, airlines, airports, ports, railways and bus companies. The major freeways in most cities were constructed as partnerships with private corporations, and continue to operate as toll-roads.

Infrastructure Australia, however, identified four "asset classes" where there is still substantial public ownership: energy, water, transport and plantation forestry. These areas, the report stressed, had already been corporatised and restructured along "free market" and "user pays" lines, and therefore have the potential to generate attractive profits for private investors. With governments "facing increasing pressure on their budgets" and under pressure to "protect their financial position and credit rating and minimise borrowing costs", the report stated that privatisations could improve their fiscal position.

The federal Labor government has signalled its agreement with the agenda outlined by Infrastructure Australia. In upcoming meetings with his state counterparts, Treasurer Wayne Swan is expected to push for wholesale privatisation by offering to transfer to the states all the corporate tax that will be collected from any publicly-owned companies sold off—partially compensating them for the loss of annual dividend payments.

The largest "asset class" being lined up for sale, valued at over $100 billion, is the energy sector. Privatising the remaining state-owned power plants, and transmission, distribution and retail networks around the country would generate over $60 billion. The Labor government is now actively lobbying state governments to sell their energy assets to corporate investors—a demand that is central to its Energy White Paper released last week.

Water assets are the other major target. They are valued at close to $100 billion, including dams, reservoirs, irrigation networks, water distribution and retailing and sewage treatment plants, and could fetch up to $60 billion. The privatisation of the remaining state-owned transport assets could produce around $15 billion, while selling plantation forests could generate around $1 billion.

The Infrastructure Australia report indicated that other assets could also be considered for sale in the future. The state-owned passenger rail services in the major cities are one prospect. Another possibility referred is the road system which could be sold or contracted out and a "congestion charging regime" imposed by their new owners. A study cited by

Infrastructure Australia has estimated that "road pricing" could potentially generate revenues as high as $5 billion a year in the state of New South Wales alone.

The report declared that the sale of assets could result in "more efficient management." This is code for the mass layoffs and attacks on working conditions that new corporate owners will seek to impose to make former state-owned companies more profitable.

Infrastructure Australia claimed that privatisation would "transfer responsibility for future investment in upgrades and expansions to the private sector." However, the constant short-term pressure to produce a return to share-holders will see the continued neglect of long-term infrastructure planning and development. Any infrastructure investment that a corporate owner would be compelled to make would be paid for by increasing the cost of services. This is already happening under the present corporatised state operators. Publicly-owned electricity companies, for example, have massively increased power prices in recent years to pay for upgrades to their distribution systems, pushing millions of people into financial stress.

Infrastructure Australia noted the widespread opposition among ordinary people towards further privatisations. It stated that "governments may be concerned at the potential political issues in transferring assets to the private sector" but nevertheless insisted that "the evidence is that the public will accept well managed and effectively communicated transfers."

The report advised that asset sell-offs be accompanied by promises to invest part of the revenues generated in social infrastructure such as hospitals, schools, and roads. In reality, as with previous privatisations, governments will primarily use the money to pay-down public debt, for the benefit of the banks and the financial markets. The Labor government has continued to open up health, education, and other essential social services to the market, by promoting private providers and slashing public spending and investment.

The real motive behind the privatisation agenda is to provide a boost to the banks, financial advisors and corporate law firms that would organise the fire-sale, and a shot in the arm to the stock markets where the assets would be sold off. Infrastructure Australia noted that "superannuation funds, pension funds from other countries, and sovereign wealth funds have all demonstrated a strong appetite for privatised Australian infrastructure assets."

In the final analysis, the proposed fire-sale is a response to the failure of the capitalist system. Under conditions of an intractable global economic slump, a desperate scramble is taking place within the financial and corporate elite to secure new sources of profit. They are demanding that every aspect of life be subjected to the free market and the "user pays" principle, so that ever greater sums can be extracted from the working class.