Australia: State government privatises key port operations

Terry Cook
8 July 2013

The New South Wales (NSW) state government is pushing ahead with its plan to privatise the Port of Newcastle, about 170 kilometres north of Sydney. The largest coal port in the world, it will be offered to private investors under a 99-year lease arrangement that is expected to raise $700 million.

Premier Barry O'Farrell's Liberal-National government announced the sale in last month's state budget. Enabling legislation was rushed through parliament and rubberstamped in the upper house on June 25.

Since taking office in 2011, the O'Farrell government has been under pressure from big business to privatise what remains of basic infrastructure, as well as to slash spending, axe public sector jobs and gut social programs. The unraveling of the mining boom is hitting the economy and government revenues. Coal royalties in NSW plunged by $235 million in 2012–13 and, altogether, tax revenues were downgraded by $1.9 billion over four years.

Privatisation is being pushed as a means to provide the billions of dollars needed to fund infrastructure projects that have long been demanded by investors. As part of this agenda, in April the government awarded a 99-year lease of Port Botany in Sydney and Port Kembla on the state's south coast to Industry Funds Management (IFM), a consortium of 30 retirement funds, for $5 billion.

Under that deal, the government agreed to retain the cost of providing a range of expensive services required for the proper functioning of the two ports, including pilotage, vessel tracking and monitoring, emergency response and overseeing dangerous goods.

Part of the proceeds from port sales will go toward funding new infrastructure, such as a WestConnex toll road to connect arterial roads around Port Botany and Sydney Airport, a Northern Sydney Freight Corridor and a pedestrian path between Sydney city and Barangaroo, the site of the city's next casino.

While the exact terms of the Newcastle port sale are not known, an Australian Maritime Officers Union (AMOU) spokesman said it was sure to contain similar cost alleviation arrangements as those in the Port Botany and Port Kembla package. These would include the government retaining responsibility for operating a dedicated dredger to ensure navigable channels and berths.

Well aware that previous privatisations have provoked widespread opposition, the government has allocated $340 million of the proceeds from the Newcastle port sale to infrastructure in Newcastle, including the construction of a light rail network to replace the heavy rail line into the city.

However, this project could also be the source of profits for private investors, with state Treasurer Mike Baird indicating it could be a public-private partnership. Moreover, the closure of the heavy rail line, long demanded by business interests, will open up tracts of waterfront land for property developers.

Big business hailed the NSW privatisations as a new benchmark. Speaking to a business conference last month, Australian Logistics Council managing director Michael Kilgariff, declared that his organisation, which represents transport and logistics corporations "encourages federal and state governments to follow the lead set by the NSW government."

O'Farrell knows he can proceed with the full backing of the federal Labor government, which has been pushing state governments to more rapidly sell off public assets, such as energy, water, transport and plantation forestry.

In fact, the Liberal-National state government is

© World Socialist Web Site

pursuing a privatisation model devised by the federal government itself. The *Australian Financial Review* reported in June last year: "A blueprint under consideration by Infrastructure and Transport Minister Anthony Albanese recommends the sale of national ports, water and roads to raise cash for investment in new infrastructure."

The article added that the Labor government's Infrastructure Finance Working Group, which included Treasury officials and experts from ANZ, KPMG, Royal Bank of Scotland, Alinta Energy and industry associations, recommended that the federal and state governments begin "recycling capital" by selling assets to superannuation funds and using the proceeds for new roads, rail and ports. According to the *Review*: "The plan is seen as more politically palatable than straight privatisations to retire public debt."

Moreover, the previous state Labor government created the conditions for the O'Farrell government to push ahead with the privatisation agenda. With the support of the trade unions, Labor rode roughshod over widespread working-class opposition to drive through the sale of the state's electricity retail assets just before being swept from office in March 2011.

The Liberal-National government has continued where Labor left off, securing legislation last year to enable the sale of the state's power generators. The first, Eraring Energy, was sold to private provider Origin Energy last month for just $50 million.

The trade unions have again stepped in to head off opposition by workers to the Newcastle port sale, lining up with the fraudulent claim of IFM CEO Brett Himbury that the involvement of superannuation funds constituted "social privatisation."

AMOU national industrial officer Robert Coombs told the media the union would prefer that the port stay in public ownership, but that if it were sold, it was better "bought by union-backed superannuation funds." NSW Maritime Union of Australia (MUA) northern branch secretary Dennis Outram claimed that industry superannuation funds were "workers' capital."

Superannuation funds have accumulated around $1.6 trillion. While they contain billions of dollars of workers' savings, this capital is in no way socially-owned or democratically controlled by workers. Instead, it is made available to investors and corporations for buyouts, mergers, takeovers and stock market speculation.

Significantly, the unions sit on the boards of some of the major industry super-funds, such as the $20 billion CBUS construction industry fund, and therefore have a vested interest in promoting the use of these funds to buy up state-owned assets.

The maritime unions have also claimed that government assurances the port privatisations will not result in so-called forced redundancies was "good news." Such "assurances" are worthless. The unions have been instrumental in driving through the continuous restructuring of the ports over the past two decades that has driven up productivity at the expense of the working conditions and jobs of port workers across the country.

Privatisations have inevitably resulted in redundancies, both "voluntary" and "forced." The Queensland state Labor government, for example, gave similar phony assurances in 2010 when it sold off the state's rail freight business QR National. By 2012, the new operators had axed over 1,000 jobs through so-called "voluntary" redundancies.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site