

# PUBLIC ENTERPRISE **VERSUS** PRIVATE INEFFICIENCY

## **A briefing document for union activists**

The Trade Union Left Forum has put this brief guide together for union activists to use in combating commonly used arguments in favour of privatisation and against public ownership. There is mounting evidence of the value of public-sector investment, compared with the inefficiency and waste of private-led investment; yet this is silenced by the privately owned media, just as they call into question the right of communities to peacefully resist the imposition Irish Water.

We have all had arguments with a friend or colleague where the claim of the efficiency of the market is made, that competition is good for customers, without anything to substantiate it. Or we have sat angrily on a Sunday morning listening to radio commentators boldly say that private enterprise is superior to public, that privatisation provides savings for customers, or that the state benefits from the sale of public companies, without ever having to provide any evidence to support this highly political statement.

This guide is to help activists with short facts and figures to help you to combat these arguments, or to send tweets, texts or e-mail to the media so as to raise public awareness of the damage privatisation does and the great value that public ownership brings and can bring to our economy.

So, next time you're in a pub with mates, or listening to a current affairs programme or being canvassed for a vote and you hear one of these false claims being made, don't stay silent: use the evidence in this guide to counter their claims.

We hope you find this useful, and please distribute it as far and wide as possible.

Jimmy Nolan  
Chairperson, Trade Union Left Forum



# The value of public enterprise

## **Claim 1: "Public companies are inefficient and a drain on the economy"**

Actually, there are many examples of stand-out public companies that not only employ tens of thousands of workers but also return a positive dividend to the state. For example, the ESB employs six thousand workers and has returned more than €2 billion in dividends to the state in the last ten years. An Post employs eleven thousand people and made a profit of €33 million in 2008. In total, state enterprise employed 44,000 workers in 2008 and made profits of €440 million.

## **Claim 2: "Private-sector investment is more efficient than public-sector"**

Davy Stockbrokers recently reported the exact opposite. During the boom years the great majority of private-sector investment was in property—not merely unproductive but ultimately costing the taxpayer tens of billions—while public-sector investment was in essential infrastructure such as roads, schools, hospitals, electricity, and gas. Of the €50 billion invested between 2000 and 2008 in core productive activity, €33 billion of it was public and only €17 billion private.

Barclays Wealth Insights for 2013 showed that wealthy Irish individuals hold 55 per cent of their wealth in property, not in productive assets or investments. Only 2 per cent of their wealth was held in business or entrepreneurial interests, while public capital investment increased from €10.2 billion in 2002 to €18.9 billion in 2009.

## **Claim 3: "Everyone knows the private sector is better, and there are no solid arguments for public-sector investment"**

This is simply not the case. Internationally, the OECD acknowledges that the public sector is often better

at living up to service commitments to the public, at providing core infrastructural services, at maintaining a balance between supply and demand, avoiding over-production and maintaining stable and fair costs. At home, Forfás acknowledges that there is no empirical evidence to support the claim that the private sector is better or more efficient than the public sector.

How efficient is it to have four different refuse companies picking up from every third or fourth house in an estate, blocking up the roads, adding greatly to the wear and tear of road surfaces and emitting fumes that damage the environment while continually adding on hidden costs to the public?

## **Claim 4: "State-owned enterprises are only for big projects"**

There are many forms of successful public enterprises that present a variety of different benefits. These include worker-owned or worker-managed firms, community enterprises, regional or local development corporations, and state-supported micro-enterprises. Public enterprise is not successful only in running large utility projects but also child-care centres, local public transport and specialised transport, micro-green initiatives, niche food markets, the production of fertilisers, providing venture capital, the recovery and production of methane energy, equity investment in commercial development, local banks, towing services, coffee shops, bakeries, local and specialist shops, cinemas, sports clubs, estate agencies, rented housing, retailing, training and consultancy, and many more.

## **Claim 5: "Everyone else is doing it"**

While privatisation was a trend, such countries as France, Germany and the United States retained a strong public sector in both service utilities and local services. And many countries are now renationalising services after the failure of the private sector, including Germany, where more than two hundred power grids and water networks have been renationalised since 2007.

# The cost of privatisation

## Claim 1: "The private sector improves the business"

When Eircom was privatised it had a value of €8.4 billion; it now has a net worth of €39 million, i.e. 215 times less than its previous value. In 2010 Ireland ranked 29th out of 30 countries for broadband provision, while Eircom now employs 6,000 fewer workers.

## Claim 2: "Privatisation reduces costs, and the public benefit from privatisation"

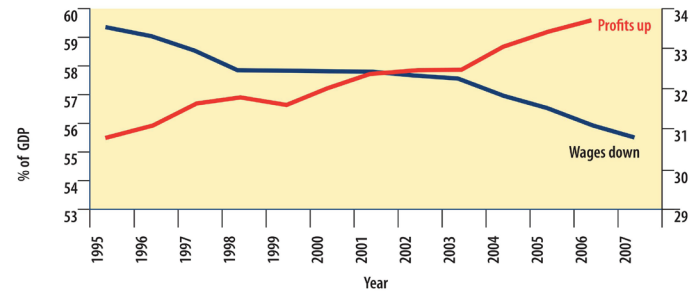
The evidence points to the opposite. Since water was privatised in Britain in 1989 the average household bill has increased in real terms by 42 per cent, while the amount of water leaving the system has greatly increased. Since the privatisation of transport in Britain, bus fares have increased by 54 per cent in real terms, while train fares increased by 50 per cent and private companies have dropped the least profitable routes.

In the the EU as a whole, 246,000 jobs were lost between 1995 and 2004 as a result of the privatisation of electricity. A study showed that the public saw no increase in value or quality of either postal or electricity services following privatisation.

## Claim 3: "Private companies profit through less waste and more efficiencies"

On the contrary, the evidence now shows that private operators after privatisation profit at the expense of both the workers involved and the public, through redundancies, pay freezes, and increased charges on the public. In Europe generally, in the energy sector, as wages declined profits increased almost in direct proportion.

*Trend in wages and profits as share of GDP, European energy sector, 1995–2007*



## Claim 4: "The public are in favour of privatisation"

Price-Waterhouse Coopers reported that 94 per cent of the public believe that national or local government or public service providers should be responsible for providing health services, and 93 per cent believe that state agencies should be responsible for running local schools.

## Claim 5: "The state gets good value for its sale"

Even if we take the most recent sale of Bord Gáis Energy, while the headline figure of €1.1 billion appears attractive, a closer examination shows that the taxpayer may get as little as €129 million for a business with 700,000 customers and a new power plant that cost €400 million to build. The state is losing out on long-term value in return for a quick buck so as to service a debt that is not of our making.

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