

People have lost faith in privatisation and it's easy to see why

Written by John Quiggin, Professor, School of Economics, The University of Queensland

From the viewpoint of ordinary Australians, privatisation is a policy that has consistently failed but is remorselessly pushed by the political elite. It is little surprise that voters are turning to populism in response.

“Privatisation” is a term that covers a multitude of policies. These range from the outright sale of government business enterprises like Medibank Private to the outsourcing of services like IT support for government agencies.

In a mixed economy like Australia’s, the boundaries of the public and private sectors are constantly shifting. The desirability or otherwise of privatisation needs to be assessed on a case-by-case basis.

However, the rhetoric that has dominated Australian public policy for the last 25 years embodies the presumption that privatisation [is always and everywhere desirable](#) . The many failures of privatisation have led most ordinary Australians to [draw the opposite conclusion](#) .

It’s even something the chairman of the Australian Competition & Consumer Commission (ACCC), [Rod Sims, is now questioning](#) . Sims’ criticism of infrastructure privatisation in Australia is an old one; that in the absence of competition, replacing a public monopoly with a private one may make society worse off.

For example, as Sims observes, [Port Botany and Port Kembla in New South Wales were privatised together](#) , while the Port of Melbourne in Victoria was privatised with [conditions restricting competition from other ports](#) . The result, unsurprisingly, was big increases in charges.

Another example of privatisation gone wrong is the public funding of for-profit vocational education. This bipartisan policy began with the Brumby and Baillieu governments in Victoria and the Howard government federally.

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The key idea was to open the state-funded TAFE system to competition from private providers. At the national level, the HECS system was extended to for-profit providers through FEE-HELP. The effect was to give strong incentives to enrol as many students as possible, while keeping costs to a minimum.

[Bogus courses proliferated](#) and aggressive marketers enrolled students who had little or no chance of completing their courses.

The comprehensive failure of vocational education privatisation is now universally recognised. The federal ministers responsible for the scheme, Luke Hartsuyker and Simon Birmingham, have been vociferous in their denunciations of Labor's failure to respond to problems in the system. But their reforms [have been ineffectual](#) .

Yet despite all this, the push for privatisation has gone on. The Baird government is moving ahead with TAFE privatisation. Similar moves are [happening in other states](#) .

The failure of for-profit education is not confined to Australia. For-profit education in the US has been a disaster area.

As in Australia, the primary business model has been the exploitation of public funding systems for disadvantaged students. The US Government Accounting Office found [widespread evidence of fraud and deceptive marketing](#)

. As in Australia, attempts have been made to tighten the rules and numerous [for-profit firms have gone bankrupt](#) , but there is no evidence that the problems have been resolved.

Many of the same problems apply to other human services, such as hospitals. Nearly every Australian state has experienced a [failed privatisation or public-private partnership in this area](#) .

Sims also critiqued privatisation in human services, which is particularly striking because the introduction of for-profit competition into human services was a central recommendation of [the Harper Review of Competition Policy](#)

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, of which the ACCC has been a strong supporter.

It is time to move beyond the failed policy of privatisation. In particular, we should recognise health and education as social investments that cannot be handed over to profit-driven speculators.

John Quiggin has received funding for research work for the National Council on Vocational Education Research.

Authors: John Quiggin, Professor, School of Economics, The University of Queensland

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