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## **Global Auction of Public Assets**

Dexter Whitfield

Spokesman, £18.00

## **Pubic Cost and Private Benefit**

Dexter Whitfield has been one of the most well-informed and effective critics of the whole programme of privatisation of Britain's public services, begun by Mrs Thatcher and continued by New Labour. He is Director of the European Services Strategy Unit, continuing the work of the Centre for Public Services, which he founded in 1973 and has recently sought to spread his critique world-wide, as more and more countries have begun to move their social infrastructure from a public service into private profit making businesses. This new book is the result of this extension of his interest. It is, as were his earlier books on the attack on UK public services, both thoroughly researched and immaculately presented.

What had begun as a specifically British exercise by Mrs. Thatcher to strengthen the power of capital in relation to labour has been taken up by giant corporations of capital operating in both the Developed and Developing world. It is the claim of all the new forms of infrastructure organisation that they are Public Private Partnerships (PPPs) but the partnership is generally a very unequal one.

Dexter Whitfield describes it as "public cost and private benefit". In this book he presents detailed accounts of PPPs not only in Europe, where his new strategy unit is based, but in the USA, Australia, South Africa, India, Brazil, Russia and even China, not, however in Japan. As the PPPs spread across the world, more and more of the giant international finance and commercial corporations become involved. Whitfield concludes that, because the scale of manufacturing in the global economy is declining, investment in the infrastructure becomes of increasing interest for international capital.

The privatisation process began with the physical infrastructure - the railways and roads, energy supplies and telecommunications. But Whitfield shows how it is being extended into social provision. The privatisation of social infrastructure has been seen by many commentators simply as a means for governments to finance projects, especially buildings, without increasing their capital expenditure beyond their budget limits. The PPS private partners have, however, begun increasingly to take over more responsibility for whole projects – not just for the building but for the governance, management, consultancy, employment of staff, receipt of revenues, and reinvestment of funds.

This has the effect of removing from national or local public control and accountability the operation of social services. Health and education are key examples, where Whitfield shows particular cases of the shift in responsibilities for a social service.

The analysis in this book is closely related to the latest developments in world-wide financial crisis and in governments' responses to the dangers of climate change. Whitfield is able to show the extent to which the private ownership of public assets and the income streams flowing from them are used by financial institutions as leverage for further profitable lending. The state guarantees that are generally present in social infrastructure provide a base for private speculative activity in what has become a casino of public finances.

At the same time, the effects of climate change are demanding from governments increasing expenditure on national infrastructure to provide protection against rising sea levels, more and more damaging storms , heavier rainfall in some areas, drought in others. Extended investment to meet these demands cannot be left to a casino.

The arguments used against public provision of services which have regularly been employed in favour of privatisation are shown by Whitfield to be largely spurious. The chief of these is that the costs in the public sector are higher than in private provision. Whitfield shows that this is manifestly untrue when all costs incurred in the long-run are taken into account.

It is also said that public projects frequently over-run their budget in time and cost. Whitfield shows that such claims are seriously flawed and cannot always be checked because so-called commercial secrecy can be invoked by private suppliers to prevent publication.

Finally, there is an argument about innovatory design and managerial efficiency, which is said to favour privatisation. This can be easily refuted by the large number of PPP projects that Whitfield lists as abandoned, distressed or failed.

It is a pretty well unanswerable case that Whitfield mounts in defence of the public sector, and well worth quoting for its wide-ranging assembly of the evidence.

**Michael Barratt Brown**

[www.european-services-strategy.org.uk/global-auction-of-public-assets/](http://www.european-services-strategy.org.uk/global-auction-of-public-assets/)

**Global Auction of Public Assets:**

**Public Sector Alternatives to the Infrastructure Market**

**and Public Private Partnerships**

***Dexter Whitfield***

Spokesman Books    ISBN 9780 8512 73 1    £18

## **No more ‘Private good - public bad.’**

Anyone working in or dependent on UK education, health, housing, transport, civil and social services knows the negative impact their privatisation has wrought on pay, jobs and the quality of these vital services.

At best, Public Private Partnerships (PPPs) and their variants like Private Finance Initiatives (PFI) have become code words for cheapened services benefiting only the private part of these lop-sided “partnerships”. Wags amongst you will have much ruder interpretations of the PPP and PFI acronyms!

At worst, spectacular disasters have cost taxpayers a fortune. You may know about the Skye Toll Bridge, Inverness Airport, Southwark and East Lothian schools, National Air Traffic services, Dudley Hospitals, Norfolk and Bedfordshire County Councils. Yet companies such as Balfour Beatty involved in Metronet’s collapsed London Underground contract (costing over £15bn) are to this day still getting government contracts for national schemes like Building Schools for the Future.

With the public sector now ripe for further abuse by drunken capitalists staggering to sustain their unsustainable system, we need all the clarity we can muster to both defend and improve the full range of our services, and the economic infrastructures of a post-Lehman Brothers world. We can find it here;

*“We are at an important juncture, where the remedy for getting out of recession and creating a new framework for the future of the global economy is more and better regulation, economic collaboration, elimination of tax havens and tax avoidance scams and increased transparency and disclosure.*

*Yet the neoliberal model of public service transformation, adopted most fervently in Britain, of commissioning, outsourcing, contestable markets, private finance and partnerships, are precisely the policies and practices that led to the crisis.” (p.22)*

Not only will we have to repair the damage inflicted on traditional but continuing services, but we also need to factor in various imminent challenges. Adapting to climate change, the growth of megacities and regions, the water, food and energy supply crises, the exploitation by markets of digital and medical technologies, and the general lack of progress towards joined-up global governance make a daunting new agenda!

Dexter Whitfield has now brought all his excellent previous analyses of these issues together in this essential handbook. His forensic account of the manner in which global public assets have been sold off or exploited, and how we could recover from neoliberalism’s excesses, is an indispensable tool for every trade union, environmental and socialist activist. Apart from anything else it really brings home what a criminal regime Blair’s was in these respects, let alone his war-mongering foreign policies.

The very notion of “public” or “common” wealth, its institutions and physical spaces, is under threat of extinction in our daily lives, culturally and ideologically. Whitfield’s economic remit does not run quite so far as to deal with those wider nuances of capitalist alienation. So whilst this may not be a fully-rounded revolutionary call to arms, it will certainly arm very many revolutionaries!

**Nick Grant**

December 2009

[www.european-services-strategy.org.uk/global-auction-of-public-assets/](http://www.european-services-strategy.org.uk/global-auction-of-public-assets/)

## **Review**

### **Global Auction of Public Assets**

**John Bissett, Irish Left Review ([www.irishleftreview.org](http://www.irishleftreview.org)) February 2010.**

Dexter Whitfield's book is a resource that can help a myriad of groups, organisations and even states if they so wish, to understand the impact, dynamics and inequalities of the privatisation of public infrastructure, especially through the use of Public Private Partnerships (PPPs). The book is a sobering analysis of the past three decades of global privatisation of public assets and infrastructure and yet at the same time an impassioned argument in defence of public services remaining in public ownership.

The public infrastructure that he describes provide our basic human needs and includes everything from the roads that we drive on, the schools for our children, and our public buildings, power stations, waste disposal services/facilities, energy and communications systems. In recent years corporations and global capitalism have begun to see such infrastructure as a 'global wealth machine' capable of producing billions in profits for the foreseeable future. No longer content with stocking the supermarket shelves or manufacturing desire on the high street, the facilities and services that make up the public infrastructure have themselves become a very real commodity for capital.

There are very real examples of this in Ireland that Whitfield highlights, one of which is the M50 toll bridge over the Strawberry Beds in Dublin which was eventually bought back by the state at a cost of some 600 million euros from the private operator, National Toll Roads. Another was the development and ultimate collapse of five Dublin City Council Public Private Partnership projects including those on the flat complexes of St. Michael's Estate, O'Devaney Garden's and Dominick Street.

The scope of this book, however, and perhaps its real strength, is the researching and description of this process on a global scale.

Ideas play an important role in convincing people that an action or a policy is justifiable or not and in gaining support for particular strategies or courses of action. The ideas which provide the propaganda for the sale of public infrastructure have been driven by a neo-liberal economic worldview. Within such an ideology the market is seen as the most efficient user and distributor of resources. In other words it is argued that the 'market' is better skilled and adapted to making the most of a society's resources, including those in the public domain.

The late Milton Friedman was one of the foremost proponents of neo-liberal economics and actively encouraged the erosion of the state and the public sphere in order to let the market rule. These ideas were applied with sustained energy and vigour by Reagan in the USA and Margaret Thatcher in the UK. The fruits of this labour are that a country like the UK has the largest PPP programme of any developed society and it now exports the model almost as a franchise to other countries. (It is perhaps not surprising that the US and the UK were recently defined in the book 'The Spirit Level' as

being the two countries with the highest levels of inequality amongst 'developed market democracies'.)

Those who promote the PPP philosophy argue that there is no other option. They argue that PPPs are faster, cheaper, more innovative and more efficient. What Whitfield does in his own painstaking way is to expose this as a sham. He provides case after case which shows that PPPs are not cheaper and the public always pays, whether it be future generations who have to bear the cost of concealed debts which are placed 'off balance sheet', or in the present through rafts of new tolls and stealth charges.

The process used to evaluate PPPs by comparing them with public sector projects (the Public Sector Comparator) is little more than tokenistic and is deeply flawed.

There is a view, Whitfield argues, that companies and corporations are merely interested in owning the assets, buildings and facilities and will be happy at that. This is naïve, he tells us, for increasingly they want not just to own the facilities but also to run core services in health, education and local government. This gradual infiltration is literally the privatisation of the 'whole service', as it takes in every aspect of public infrastructure from the buildings to the staff that run the service. But Whitfield shows time and again that when the private sector runs core services it is not the quality of the service that they are interested in, but the return on their investment. Corporations use sophisticated marketing and communications campaigns to convince the public that this in their best interest, and through such strategies the outsourcing of large chunks of public infrastructure becomes 'normalised'.

And yet, paradoxically, one of the key ways the private sector 'promotes efficiencies and reduces costs' is to significantly reduce staff, which ultimately reduces the quality of the service.

One of the most disturbing things that Whitfield highlights is the process of how public infrastructure becomes a commodity just like any other, to be bought and sold or invested in on stock exchanges around the world. The result of this is the greater and greater distance between those who own the assets and the facility or service that is being sold on. Ultimately this reaches the stage where those who own the assets are only interested in 'sweating' or 'stripping down' the assets to realise every cent of financial value. It brings new meaning to the phrase 'knowing the price of everything but the value of nothing'. Services are seen primarily in terms of their exchange value and not on the basis of social need and human use value. The private sector has been very good at developing all sorts of mechanisms for wresting control of a service or a facility from local or central government.

In one of the most illuminating examples in the book, Whitfield describes the sale of the entire public parking system in Chicago to a private consortium. The City of Chicago owned some 9,000 parking spaces and over 36,000 parking meters which, in its wisdom, it decided to sell to a private operator for a fixed sum, (900 million dollars below what it would have made had it continued to operate the parking system itself). The operator now holds the lease on the parking spaces and meters for the next ninety nine years and almost immediately set about raising the cost of parking in the city. The parking rates in downtown Chicago will more than double from US \$3.00 to US \$6.50 by 2013. The toll charges on the Chicago Skyway toll road, also sold by Chicago City Council doubled from US \$4.00 to US \$8.00 on 1st of April 2008. Not content with selling the road network and the

entire city parking system Chicago City Council also sold Chicago Midway Airport to Citigroup in 2009.

This process of 'asset monetisation', cedes control of large sections of the public infrastructure over to private consortia with citizens bearing substantial costs for generations to come and being left very much at the mercy of private contractors. Any public asset can potentially be monetised, whether it be a school, a hospital, a road or an airport, the possibilities are endless.

Companies such as Goldman Sachs, JP Morgan and Citigroup actively promote asset monetisation in presentations to local government and public sector bodies all across the US and Chicago is the proof positive as to how persuasive they have been. There are many in Europe and in Ireland who are lobbying vigorously, and successfully, to get governments to do the same here. Those pursuing the PPP model and asset monetisation are dogged and determined for the rewards are great if they can prise the public infrastructure away from the state.

Even with the recent catastrophic financial crisis this process is still gathering momentum. The growing portfolios of transnational corporations in public infrastructure are the best indicator of how deep this process goes. Whitfield details the global interests of one of these corporations (Macquarie Bank Australia) on pages 126/127 in the book. It is simply staggering to see how much infrastructure one corporation owns and controls across the globe, in that it has controlling stakes in everything from airports to roads, to power stations and communications infrastructure across all five continents.

Whitfield argues that communities, civil society and trade unions must oppose this process locally, nationally and internationally. They need to do this by forging strategic alliances which use the empirical examples and research that people like himself have provided as a key tool in such a struggle. The mythology that has grown up around PPPs needs to be shown for what it is. The idea that the public somehow gets a better deal from these 'partnerships' is deceitful and simply untrue.

He argues that there are other ways of meeting the needs around public infrastructure. Governments and city councils do not have to sell the family silver in order to raise funds. With some forward planning and government support, public infrastructure can be provided in a way which is not exploitative and which does not leave the citizens of a society at the mercy of private monopolies. One of the great mantras of capitalism, that there must be competition and choice, somehow gets lost in the PPP process, for more often than not companies have a stranglehold on individual resources with citizens often having no viable alternative.

This book is probably the most comprehensive survey of global PPP infrastructure ever written. It is an empirical tome of information that will stand as a core reference for years to come when anyone seeks out the extent and scale of PPPs throughout the world. As someone who has written about the actual experience of participating in a PPP project in St. Michael's Estate that was abandoned after the developer declared 'there is not enough profit in it', Whitfield's book is the other side of the coin.

It shows the author's engagement with his subject over a thirty year period and how the painstaking accretion of knowledge eventually offers some profound insights into a process that most ordinary people have absolutely no idea how things came to be this way. One of the undoubted challenges

though will be the marrying of the subjective experiences of the privatising of public infrastructure with the global overview presented in this book. There is undoubtedly a need to connect the subjective with the structural in order to make compelling and effective arguments that actually succeed.

I attended a recent protest in Dublin at the opening of the new Criminal Justice Courts building next to the Phoenix Park in Dublin, developed as part of a Public Private Partnership between the Irish Government and Babcock Brown. On the day people highlighted the paradox of having a spanking new modern day panopticon for imprisoning mainly working class young men and women, while a few hundred yards away the Dublin City Council flat complex of O'Devaney Gardens stands in what can only be described as shocking conditions. As one of the placards on the day read 'Its all about priorities'. The real irony is that the Irish government will pay hundreds of millions for the new criminal courts of justice for the next twenty five years (off balance sheet of course) to Babcock Brown without much ado, while the residents of flat complexes like O'Devaney Garden's, St. Michael's Estate and Moyross and Southill in Limerick are abandoned by the state. Whitfield's book deserves a wide readership for it tells a staggering story that is still relatively little known. I hope he gets it.

*John Bissett is a Community Worker with the Canal Communities Local Drugs Task Force in Dublin. He has been a member of the St. Michael's Estate Regeneration Team and recently published a book about the experience of the collapsed PPP project entitled Regeneration: Public Good or Private Profit. Published by TASC at New Island. Copies of the book are available through the St. Michael's Estate website.*

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