

PRIVATISATION BY STEALTH CONFERENCE 16/3/08 INTRODUCTION

- Murray Horton

The inspiration for this conference arose from the fact that tonight Christchurch, and CAFCA, is hosting the event to announce the winner of the 2007 Roger Award for the Worst Transnational Corporation Operating in Aotearoa/New Zealand. This is only the third time this decade that the Roger Award event is at home (Roger's actual year round home is in the decidedly downmarket setting of our garage). 2008 marks ten years since the first Roger Award event was held, also in Christchurch, and also in the context of a conference – in that case the very successful 1998 Taking Control Conference.

So, at the suggestion of Bill Rosenberg, we decided to do more than just the actual Roger Award event this year. We registered the fact that 2008 is election year and we looked at what issues relevant to CAFCA are likely to feature in the campaign this year. If this was the 2005 election year, we would have focused on the Overseas Investment Act of that year, a piece of Dr Cullen's legislation that CAFCA vigorously fought for the two years it took to come to fruition. That was and is central to our reason for being and, exactly as we said at the time, has made the takeover of New Zealand by the transnational corporations even easier than it was before (if that is possible). But that law has now been in force for three years, one whole electoral cycle, and is the status quo. So we looked elsewhere.

Back in mid 2007 a couple of things happened that led us to choosing this topic for today's conference. The first is still very much a work in progress right now – namely the saga of the attempted sales or takeovers of Auckland Airport. I use the plural because first Dubai tried to buy it and now the Canadian pension fund. There was massive public and political opposition to this, and I'm proud to say that CAFCA was and is in the thick of it. The airport is already semi-privatised due to a partial sale via share float a decade ago, under the last National government (I can still remember the TV ads starring the legendary former All Black captain Sean Fitzpatrick who loaned his mana to this shabby selloff). The second thing that happened in mid 07, during the early stages of the airport sale saga, was that Bill English, National's finance spokesperson, prematurely ejaculated that if National becomes Government this year (and all the polls say that it will, by a comfortable margin, due to nothing more than the good old "it's time for a change" mentality) it will proceed with further part-privatisation of State Owned Assets – there are actually still a few left that haven't been flogged off, such as the big power generators, Solid Energy, etc, etc.

This revelation by English, closely followed by another policy "slip" that a National government will give more priority to private education than that of the State sector, caused even more uproar. John Key, who is trying to smile his way to victory on the PR magic carpet of being the boy who went from State house to White House, told English to shut up and the Party backtracked from what Bill had said (a case of broken English, perhaps?).

For the record, National's policy is for at least 51% NZ ownership of "strategic assets", which, in Tory terms, is probably quite "Leftwing". Whether they'd actually adhere to that in office is quite another thing, and 51% NZ ownership would still leave those assets

firmly foreign controlled (by law anything more than 24.9% foreign-owned is a foreign company)

These two events, which logically followed on from CAFCA's very active and successful involvement in the 2006 campaign to stop the Christchurch City Council selling the Lyttelton Port Company to a huge Hong Kong transnational, made us realise that privatisation – in all its full or “partial” guises – needs to be an issue this year.

But then everything went quiet again. The Dubai bid for Auckland Airport fell through, and the succeeding Canadian one seemed to be going nowhere. National dropped the subject of privatisation, knowing full well that the visceral public reaction to what happened during the gold rush of public asset sales in the 1980s and 90s means that the whole subject is political poison. For its part Labour reaffirmed its opposition to asset sales (and during its nine years in power it has, however reluctantly, renationalised ACC, Air New Zealand and the national railway track network, done other good things such as stopping the number of private prisons at one and creating Kiwibank – for which Jim Anderton deserves the credit, Cullen and Clark having damned it with faint praise). In 2007, Labour also reiterated its opposition to public private partnerships, about which we shall hear plenty today.

So it looked like we may have picked the wrong topic for today's conference, a non-issue, and that there is nothing to worry about. But it didn't take long for our finely honed political/economic instincts to be proven right and to reassure us that there is plenty to be worried about. Earlier this year the Government announced the most expensive roading project in NZ's history (naturally it's in Auckland) and, in a complete flipflop from its position of only a few months earlier, announced that it will be built and financed by way of a public private partnership (PPP). This was almost immediately followed by another big election year announcement that the Government will launch a major affordable housing project, once again by means of a PPP.

National under Key has been blithely signing up to great chunks of Labour's policies in order to remove contentious issues, anything that stands in the way of its getting back into power (it last did this before its 1990 landslide defeat of Labour, by swallowing the biggest dead rat of them all – acceptance of the nuclear free policy, one on which National and fought and lost a particularly bitter election in 1987, the last one to be fought on foreign policy). So now Labour has repaid the compliment and pinched National's policy on PPPs. Suddenly, privatisation is front and centre on the political agenda.

The sheer electoral expediency driving Labour is obvious from its total inconsistency in this field. Only weeks after signing up to multi-billion dollar PPPs, it, very commendably, rushed through regulatory changes to the very same 2005 Overseas Investment Act of which it is so proud. The aim is purely and simply to keep Auckland Airport out of Canadian hands – at the moment the Canadians are going to extraordinary lengths to try to secure that company and it will be fascinating to see how it all pans out. The screaming from the business sector and its mouthpieces in the transnational corporate media was predictably ear shattering. They were quick to realise that these new restrictions on foreign ownership of strategic assets on sensitive land will have major implications throughout the country – for example, right here, if the City Council and its holding company try to revive plans to flog off the Lyttelton Port Company, as seems quite likely.

Interestingly, the spotlight has fallen squarely on National and, in the Americanised, personalised way that our politics have become, it fell on Key. He squirmed and flipfopped all over the place by way of reaction to Labour's new policy, before saying that he would reverse it and allow the sale to proceed. He dug himself into a bigger hole when he said that if the Government buys back the rest of the railways (trains and ferries) from Toll Holdings of Australia, which also seems very likely, a National government will sell it again.

To quote Colin Espiner, Political Editor of the *Press*: "...National can go into an election campaign promising to sell our biggest airport and our railways back into foreign hands. Now there's an election winner. In talking of buying back rail and halting the sale of Auckland Airport, Labour has finally captured something of the zeitgeist it has lost for so long... Asset sales are National's Achilles heel. The very phrase is enough to send even conservative swinging voters running for the hills. Asset sales are a reminder of a painful period in New Zealand's recent history, when both Labour and National governments hocked off the family silver for a song... Labour will need to be very careful it does not go too far, however... But the ideologically driven downturn that New Zealand performed so earnestly in the 1980s and 1990s was never copied by most of our friends. The Americans, Australians, British and Canadians have much stricter rules on foreign ownership of land and key strategic assets. Approached with care, however, Labour could mine a very fertile seam of public sentiment" (*Press*, 10/3/08, "Labour back on track"?). Labour, of course, did a very similar thing in the 05 election campaign when it cynically turned on a high profile US land owner in NZ, the very kind of foreign investor welcomed by this Government, and accused him of financing National under Don Brash.

It's worth remembering just why the NZ public is so wary of privatisation. The damage done here in the 1980s and 90s was immense. Come to tonight's Roger Awards to hear about some of those who did so well out of it – the likes of Telecom, for example, the only transnational to have been a finalist in every Roger Award since it was founded in 1997. In the Roger's first six years it was won three times by the former TranzRail and there is no better (or, rather, worse) example of the dangers of privatisation than Tranz Rail. And its successor, Toll, is maintaining the proud tradition of the foreign owners of NZ's formerly public railways being complete arseholes. Using any criteria – economic, political, social, environmental, public safety, service, profiteering, monopoly, etc, etc – that previous wave of privatisation proved disastrous.

So this very issue of privatisation, in all its permutations (full, part, PPPs, and a whole alphabet soup of other acronyms) may very well constitute a key (pun intended) point of policy difference between Labour and National this election. But both of these two major parties apply their policies, any policies, so inconsistently in the interests of gaining or holding power as the sole reason for their political existence, that there will be fascinating contradictions and crossovers between them both. Both know that an ideologically driven government, such as was inflicted on us under Douglas, Richardson, and Shipley (and very nearly was under Brash) is anathema to the NZ voting public. As for the smaller parties: New Zealand First has the reactionary nationalist perspective on this whole subject (CAFCA describes itself as progressive nationalist) and accordingly opposes public assets sales – although never forget that the original, 1998, part-privatisation of Auckland Airport was when Winston Peters was Treasurer in coalition with National; the Greens have the most progressive policy on asset sales of any Parliamentary party (a legacy of the late Rod Donald, with whom CAFCA had a particularly close working relationship); and I frankly don't know what the Maori Party's

policy is but, as they may very well hold the balance of power in the next Parliament, its crucial that we find out. For the purposes of this conference, I have asked their leadership to tell me what their policy is on privatisation.

And when you know where to look, the issue is all around us. There are the obvious examples such as Auckland Airport and whether or not the Government buys back the railways from foreign ownership (having got cold feet when it had exactly the same opportunity just a few years ago when Tranz Rail finally fell to bits). But now there is the same Government reversing itself on PPPs and using them for huge roading and housing projects. There is a toll road being built in Auckland which sets an alarming precedent for private roads (very common overseas, a major earner for their transnational owners). The Christchurch City Council, through its holding company, has quietly built up its stake in the Lyttelton Port Company to reach the significant figure of 75% - a figure which can be used to set in place legal processes by which the company can be sold, usually by way of a merger, without requiring the consent of the other 25% of the shareholders. That same Council has just awarded a 15 year contract to an Australian waste management transnational which says that it is worth more than \$450 million to it (ironically the present owners of this company used exactly the same 75% ownership legal processes to take over the firm from the previous owners). Christchurch contracted out rubbish collection to a French transnational more than a decade ago and has, once again, passed up the opportunity to bring such a core service back into Council ownership. And of course the highly controversial Central Plains Water scheme here in Canterbury represents a privatisation of a critical public resource, backed by City Council money.

Local government provides a very fruitful field for the would be privatisers – at the same time as the Christchurch City Council tried to sell the Lyttelton Port Company, in 2006, it also started the process of lining up for sale its bus company, city maintenance company and Council housing (the Christchurch City Council is the second biggest landlord in NZ, after the State). Fortunately those moves were stopped and reversed. But rubbish, water, waste, parks, roads, housing, even libraries and civic venues – these are all local government services that affect our daily lives and any or all could be flogged off (plenty of them already have been by councils throughout the country). To give two other examples from opposite ends of the life cycle – there has been relentless corporatisation and privatisation of pre-school centres and chains of retirement homes, very few of which are now in any form of community or not for profit ownership. Attention has been focused on the pre-school sector by the current financial meltdown of the biggest single owner in Australasia, which has led it to sell off its American empire.

What was stolen here in NZ in the 1980s and 90s was done bloodlessly. In other countries it has been done by extreme violence – we are within days of the fifth anniversary of the American invasion and destruction of Iraq, which is the most extreme example of forcibly imposed privatisation currently on display. The Iraqis are fighting back hard against the wholesale theft of their nation and its resources, and New Zealanders need to be equally determined to resist and expose the same forces at work in our country. For all the reasons I've outlined, this is an extremely relevant and timely conference.