Re-nationalise public utilities now!

The COVID-19 pandemic should be a wake-up call to re-nationalise privatised utilities. Several companies running these essential utilities such as airports, ports, road and rail are now begging Treasurer Josh Frydenberg for a bailout “through either direct government funding or government guarantees of incremental loans provided by domestic banks”, reported the *Australian Financial Review* on 1 April. They warn of defaults and company wind-ups if the government does not assist.

The Domain Tunnel on Citylink, Melbourne’s major tollway owned by Transurban, which is one of the private infrastructure companies wanting a bailout from the government. If the infrastructure was public, there would be no need for bailouts. Photo: Wikipedia

These companies have privatised massive profits over the years but have failed to adequately re-invest into the utilities in the public interest. Now they want to socialise the losses. In the conditions imposed by the COVID-19 pandemic, only government can fill the void to ensure these essential utilities remain functional. Instead of a bailout, government must take them over to end the looting once and for all. These companies typically operate in a captive market and since they are a natural monopoly, government ownership is necessary to protect the common good and national interest.

Executives from 200 companies wrote to Treasurer Frydenberg through the Finance and Treasury Association (FTA) with an urgent plea for government help. “These solutions are required immediately as this is a real and current risk being faced by a large number of corporates”, warns their letter to the treasurer, obtained by the Australian Financial Review. “Capital markets have been highly volatile, investment-grade credit ratings are under threat and banks are overwhelmed in triaging requests from corporates seeking assistance in terms of liquidity”.

Airports

With the number of flights plummeting in recent weeks, it’s no surprise airports are feeling the COVID-19 pain. But this follows an unprecedented bonanza of profit following the privatisation of airports commencing in the late 1990s. “Australia’s four major airports have collectively increased their aeronautical profit almost every year over the 17-year lifespan of the ACCC’s monitoring. This may illustrate the benefit of being a monopoly”, noted Australian Competition and Consumer Commission (ACCC) Chair Rod Sims in a 24 February statement.

Whether it be exorbitant parking costs or landing and service fees, airports find a way to gouge the public and airlines both. It is so blatant that even former Macquarie Bank boss and privatisation advocate Graeme Samuel admitted in May 2018 that “airport privatisation has ultimately resulted in higher costs for both airlines and passengers”. But now the airports want government help! “Funding documents are not set up to specifically contemplate an event like COVID-19”, Treasurer at Melbourne Airport Alice Van Der Geest told the AFR. She is also a board member of the FTA which wrote to Frydenberg to plead for help.

Melbourne Airport is owned by Australia Pacific Airports Corporation (APAC), a privately held corporation owned by institutional investors, predominantly superannuation/pension funds. AMP has a 27.32 per cent share and IFM Investors has a 25.17 per cent share. Superannuation funds invest in other Australian airports whether they are unlisted or on the Australian Securities Exchange, for example Sydney Airport (ASX: SYD). Big collapses in airport revenue will hit super funds hard.

Toll roads

Australia’s largest toll-road operator Transurban was among the 200 companies calling for government support through the FTA. On 1 April Transurban raised its toll charges for cars and heavy vehicles on its Sydney and Melbourne motorways; just at a time when many motorists are under increasing financial stress with the COVID-19 pandemic. It was “Bastardry without pause from an untouchable, blood-sucking monopoly”, the AFR’s Joe Aston aptly noted in his 7 April Rear Window column. True, Transurban has been untouchable to date, but the ferment in the population is growing and Australians are now more ready than ever to overturn the past generation of looting through privatised infrastructure.

Motorists in Melbourne, Sydney and Brisbane were stung $2.98 billion in tolls by Transurban last financial year. Its tolls are increasing at more than double the rate of inflation. Its CEO Scott Charlton sits on a plum $7.17 million annual remuneration package, not to mention the other Transurban executives on seven-figure packages. Meanwhile, through creative accounting Transurban pays no corporate tax!

Leith van Onselen, chief economist and co-founder of MacroBusiness, reported in a 6 February article titled “It’s time to drop the hammer on Transurban” that “A senior Transurban executive told a private meeting of investors this month that the company wanted to be viewed as the ‘natural custodian’ of the nation’s motorways, in the likely event of motorists being charged to drive on them.” Already Sydney has the most extensive and expensive toll road network in the world, most of which are owned and operated by Transurban.

Funding

A re-nationalisation of all utilities will solve the funding problem. The government is not dependent on volatile private capital markets and can deploy national credit. Instead of a bloated unproductive financial services sector, Australia could get back to a productive economy. Superannuation funds could be re-directed to nation-building infrastructure rather than gouging us with expensive parking and other non-wealth-producing user charges. Superannuation invested overseas which now faces heavy losses, could be redirected to Australian utilities with a modest governmentguaranteed return. Power utilities would gear up to maximise electricity production, not minimise it to increase profit. Electricity and gas bills etc., would not be inflated with advertising and marketing costs. And government-run utilities would not pay parasite executives seven-figure salaries.
