

The global sell off

Privatization is part of the monetarist ideology pushed by the International Monetary Fund and pursued by many right wing governments around the world. Dexter Whitfield takes an overview of the global sell off and some of the multinationals who are starting to dominate a new international industry of public service contracting.

The privatisation of public services and assets is escalating on an unprecedented scale internationally as monetarist economic policies are adopted by right-wing and centre-right governments. This is accelerated by the IMF imposing the privatisation of state corporations as a condition for IMP loans and re-financing of existing debts. Right-wing organisations, particularly academic and business sponsored 'think tanks', for example, the Adam Smith Institute in Britain and the Fraser Institute in Canada, are on the ascendancy ensuring that right-wing ideas and policies for radical restructuring of welfare states and public services are on the political agenda.

Consequently state-owned industrial corporations, public transport, telecommunications, local and central government services are being sold to or taken over by private firms at the same time as private services in health, education, housing and social services expand usually with state aid and encouragement.

In Transit

State-owned airlines in Britain, Turkey and Malaysia are currently being prepared for sale. Japan National Railways is likely to be dismantled and its routes sold to private operators—they already own 16 per cent of Japan's railways. Reagan has ordered the sale of Conrail, the now highly profitable US railroad (£240 million net profit on £2.3 billion turnover in 1983) formed after the bankruptcy of Penn Central and six other railroads in 1976. British Rail's land and property sales, closure of wagon works—with subsequent expansion of private wagon builders—have escalated together with the sale of Hoverspeed and Sealink ferry services and a chain of thirty hotels.

The sale of state-owned corporations, nationalised industries and their subsidiaries has been extensive in Britain. But there have also been substantial sales in Latin America. Between 1973-80 the Pinochet regime in Chile sold over 500 publicly

owned firms and privatised sections of education. Argentina is currently examining ways of privatising nearly 300 state-owned companies. The Peruvian government plans to sell 46 corporations and in Mexico the government has sold shares in 383 companies obtained when the banks were nationalised in September 1982.

Privatisation is also rife in Asia. Thailand has decided to sell ten ports and up to 50 state companies may be sold. In Pakistan and Bangladesh industrial concerns nationalised in the 1970's are now being sold, often to their former wealthy family owners. Banking and industrial firms in South Korea, Japan, Malaysia and the Philippines are also being privatised.

Saudia Arabia's Fourth Development Plan 1985-90 includes privatisation measures to allow companies to operate, manage and maintain many of the utilities now operated by the government, the sale of shares in the two largest industrial firms, Saudi Basic Industries Corporation and Petromin, and further expansion of private health care.

In contrast to Britain the privatisation of state owned corporations in other European countries has been relatively small. The Italian state holding companies ENI and IRI are selling profitable subsidiaries, the Swedish government is selling shares in a state bank, PKbanken, and the West German government has recently sold shares in Veba, the electricity supply, oil supply and chemical conglomerate. A 20 per cent stake on Volkswagen may also be sold. Counter to these trends the French government nationalised six industrial groups, 36 banks and acquired a controlling interest in 3 other major firms since 1982. However, some subsidiaries are now being hived-off.

Contracting out local services expands

Most privatisation in Europe has centred on contracting out local and central government services particularly cleaning, refuse disposal, hospital support services, building maintenance and transport in West Germany, Switzerland, Finland, Belgium and Holland. Some West German local authorities have gone further contracting out health, social, cultural and training services in parts of hospitals, sports centres, old peoples homes, and civic halls. North America boasts of 'contract cities' where most services in some towns and cities are in the grip of contractors.

Private health care continues to expand in North America, the Middle East and Latin America dominated by US transnational companies such as Hospital Corporation of America, American Medical International and Humana. These firms are also competing to takeover the management of public hospitals in Canada.

Japan is introducing patients fees. Demographic changes resulting in increasing

numbers of elderly people at a time of widespread public spending cuts, has led to a boom in private residential homes and home based nursing services particularly in North America.

The sale of public telephone services in Britain and Japan and deregulation in America are just the tip of the iceberg as capital seeks to ensure that future exploitation of highly profitable telecommunications and information technology are firmly rooted in the private sector. The commercialisation of space is now being engineered by the Reagan Administration with private space flights, free rides on the Shuttle to firms experimenting in space, and the space manufacture of pharmaceuticals and electronic materials. Will the sky be the limit for privatisation?

Transnationals dominate

The restructuring of welfare states, public services and state involvement in industry has enabled transnational corporations to gain new markets, diversify and to increase market domination. This has been achieved by constant takeovers and mergers of smaller firms, formation of new companies, loss leader bids, and joint ventures with other transnationals and local financiers on large overseas contracts. These companies gain experience of privatisation and deregulation in different countries which is quickly assimilated through centralised corporate control to develop yet more proposals for more extensive privatisation. These companies also often finance the propagation of ideas and anti-union activities of right-wing organisations.

Financial institutions have also profited substantially from privatisation mainly from fees for arranging share sales (to date nearly £200m in Britain alone), subsequent trading in shares, and financing company borrowing for expansion, takeovers and joint venture deals.

Although smaller firms (annual turnover in single fm) are often on approved tender lists most contracts are won by transnational companies. If small firms do succeed in obtaining contracts they are immediately vulnerable to takeover. Within three weeks of gaining an Oxfordshire District Health Authority cleaning contract previously held by the Pritchard Service Group subsidiary Crothalls, the small B.A. Lester firm was taken over by Pritchards.

In the last fifteen years three American firms have come to dominate refuse collection and waste disposal in North America. Browning Ferris Industries (BFI), Waste Management Inc, and SCA expanded rapidly by ruthless takeovers of hundreds of smaller firms. Price fixing, corruption and violence were commonplace as these firms sought to dominate the market. Waste Management, £700m turnover in 1983, has just succeeded in a £325m takeover of SCA after an abortive attempt five years ago.

These same firms have set up joint venture deals to win overseas contracts. Waste

Management and Pritchards won the Riyadh refuse and street cleaning contract in Saudi Arabia only to be replaced by BFI in 1982. Waste Management and Pritchards have a £250m contract to clean Jeddah, Saudi Arabia. WMI also has contracts in Buenos Aires and Cordoba in Argentina, Caracas in Venezuela and Brisbane, Australia. The Australian multinational Brambles Industries has 24 municipal refuse contracts in Australia and its Cleanaway subsidiary has council waste disposal contracts in Britain.

The drive for new markets and fast profits has led several British firms to expand overseas particularly in America and the Middle East. Brengreen Holdings (the Exclusive group of companies) now has hospital cleaning contracts in Kuwait, a refuse contract in Saudi Arabia and recently acquired a Singapore cleaning firm. The fast growing Hawley Group has bought up several cleaning, security and maintenance firms in America. Its Oxford Services subsidiary is seeking to emulate its Mediclean and Provincial subsidiaries in winning hospital and school cleaning contracts in Britain.

Migrant labour exploited

Firms operating in the Middle East employ large numbers of migrant labourers who now make up between 35-85 per cent of the economically active population in the Arab states. BFI employs 3700 Sri Lankans and Waste Management and Pritchards more than 4000 Indians. "Migrants have no legal protection, no political rights and no rights to organise, publish or strike. Like serfs or slaves, they are usually tied to one particular employer and the Saudi press is replete with advertisements by contractors publishing the details of migrant labourers who have fled from their place of work".

British companies with public contracts overseas are now seeking to exploit privatisation in Britain. Spinneys 1948 Ltd, part of Steel Brothers Holdings, has several Middle East hospital catering contracts and has just gained two NHS catering contracts. ARA Services is also seeking NHS contracts. Its American parent company with £1 billion annual turnover is the largest catering and school bus contractor and has the biggest chain of private nursing homes with over 31,000 beds. ARA has a long record of fines for deficiencies in nursing homes and has admitted making illegal payments on several occasions to secure public contracts.

Grand Metropolitan has not only developed catering markets in Latin America but is diversifying its consumer products division into childcare and home nursing services. In the last year Grand Metropolitan acquired Childrens WQrd, a chain of 134 day care centres across America, and Quality Care Inc a £80m turnover firm providing patients in private homes, hospitals and nursing homes with nurses, attendants and therapists on a live-in, shift or



Privatised dustman, Britain

hourly basis. Not only do these firms have rapid and profitable growth—Quality Care's turnover increased 50 per cent in the last three years—but Grand Metropolitan seem certain to import these services into Britain if or when the opportunity arises. Meanwhile GM Health Care runs two private clinics and a private hospital in Britain.

Escalating privatisation and the increasing domination of transnational companies has major implications for labour move-

ments around the world. New strategies based on a genuine international perspective are desperately needed now to share experience, information and develop new tactics to make international solidarity and combined action against these companies more than mere tokenism.

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