

## ALTERNATTIVA DEMOKRATIKA – THE GREEN PARTY

### Privatisation

by Edward Fenech

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No economic drive has caused more debate over the last 30 years than that of privatisation. Ever since Margaret Thatcher launched her privatisation crusade in the United Kingdom in the early 1980s, political opinions of both left and right have gradually queued up to jump on the privatisation bandwagon. Malta, as is usual with most other economic realities, caught up with privatisation a decade later. The Nationalist administration, elected in 1987, made privatisation an integral part of its economic policy. In all fairness, nobody could fault them. A decade and a half of extreme centralist socialist rule had resulted in far too much of our economy being controlled by government. The crowding out effect was suffocating; our economy was devoid of commercial imagination and entrepreneurial initiative. The case to liberalise and privatise certain sectors of the economy was overwhelming.

Alternattiva Demokratika has always approached the issue of privatisation with a cautious but open mind. We have been very moderate, responsibly avoiding a radical “yes or no” approach towards the sale of public assets. We have always preferred to judge each individual decision to privatise after considering the prevailing circumstances, both economic and social. Albeit, we still base our judgement on basic principles that lead us to refute privatisation when either the entity/asset being sold off is providing a monopoly product or service and when the intention for privatisation is solely to raise funds.

The history of privatisation over the last 15 years contains examples of good privatisation and bad privatisation, as well as what I term “useless” privatisation that is privatisation that is solely ideologically driven. The privatisation of Bank of Valletta was a clever exercise in ridding this important organisation from excessive political influence, granting more autonomy to the company’s executive management in the process. This paid off well; better investment decisions, better customer service, better trained staff and ultimately healthier corporate profits. In the process, the positive culture of wider participation by the investing public was kick-started. The gradual manner in which more of the bank was sold to the investing public and the transparency shown through the privatisation exercise made BOV’s privatisation, in my opinion, the best executed transfer of State ownership and control to date. Having said that, a blotch in the BOV saga remains – the plight of the uncompensated shareholders of the National Bank from whose ashes BOV was born. To say that a just settlement is overdue would be a colossal understatement!

The privatisation of Maltacom by the Labour government in 1997 effectively reversed the rather hostile attitude the MLP had shown towards privatisation in the early 1990s. Apart from the inexplicable use of ‘bearer’ shares during the privatisation exercise, the part-sale of Maltacom was a positive step and the benefits of the privatisation of this entity are still flowing in today, to both service-users and investors. The sale of the remaining shares owned by government will not be challenged by AD, because

enough competition exists in the marketplace following the almost complete liberalisation of telephony.

Unfortunately though, as is usual in our country, what starts off well always tends to deteriorate in scope and get blurred in focus. Following the part-privatisation of Maltacom, almost every other privatisation in Malta has been dubious in intention and/or suspicious in execution. The manner in which Malta's largest and most important bank was sold to HSBC at a paltry margin over book value was unacceptable to the Greens. Rather than opening up the privatisation process and ensuring full transparency in what was to be the largest and most important privatisation in Maltese history, we had the Finance Minister of the time, negotiating (solo) behind 'well' closed doors with one undisclosed bidder. This he chose to do even though the government was not the sole shareholder in the company. The rights of minority shareholders were completely ignored; a mere PR afterthought. When the Opposition, AD and the media badgered the government of the time about the lack of transparency, the justification put forward was the pathetic, now legendary, excuse that what was under negotiation was "commercially sensitive". The privatisation of Mid-Med Bank may have been highly beneficial to our economy in general, but the manner in which it was sold off remains the foremost example of "bad" privatisation process, diametrically opposed to the correctness and openness shown during the privatisation of Bank of Valletta some eight years before by the same party in government.

Following the privatisation of Mid-Med Bank, the Nationalist governments embarked on a number of other sell-offs a good number of which I have always regarded to have been devoid of strategic scope and economically and socially counter-productive. The rationale behind the sale of our postal service, I have, to this day, never understood. Our postal service was super-efficient, very reliable and highly affordable. Indeed I would go as far as saying that the quality of the service was the best (if not only) challenge to the widespread belief that public enterprises could not provide an efficient service at commercially acceptable terms. Why the government decided to pass on a well-functioning monopoly public service to the private sector just beats me. The belief that government should own nothing had, at this point, taken a completely ideological twist. The rationale for privatisation had, indeed, become at end unto itself. Government should own nothing!

There was no reason to privatise Malta International Airport, again another monopoly service. The entity controls Malta's only aerial exit/entry route. This had never properly evaluated, until recently when government realised that the go-ahead from a privately owned and privately controlled MIA was required to enable the authorities to strike a deal with key low-cost carriers. Again a basic tenet of privatisation was ignored – never sell-off a monopoly! The sale of SeaMalta is again an ideological exercise. What is Dr Gatt saying, that we (or rather he) are incapable of sailing two ships that serve as a maritime lifeline to the continent? A country that likes to boast about its maritime tradition is admitting to such? Privatisation, dear citizen, is not by default beneficial – look at our bus service, for god's sake!

Another example of ideological privatisation was the sale of government's lottery operations; another monopoly service. What was worse about this decision was that government had completely forgotten, or conveniently ignored, the serious social

consequences that result from gambling. Thanks to government relinquishing responsibility of the social collateral damage emanating from irresponsible and excessive gambling, we now have not only bi-annual national lotteries and weekly lotteries, but even “Quick” lotteries; the addicts can now gamble their wages not just on the weekend, but also from Monday to Friday, round-the-clock. I was personally horrified listening to Premier Gonzi, once Social Affairs Minister, congratulating Maltaco lotteries on their record profits. Does he believe that these profits are derived from an affluent class indulging in a weekly extravagance? We are told that the safeguard for this social risk is the institution of a Gaming Authority. Of course! We are also expected to believe that the Transport Authority is controlling the atrocious behaviour of some of our bus drivers. Go on, pull the other!

Of late, the privatisation initiatives are just short-term revenue raising/budget stop-gap measures. In truth there is little of value left to sell and very little to show for what has been sold. Malta still sits on almost one and a half thousand million liri in debt. The forgotten promise to invest 25 per cent of privatisation proceeds in economic restructuring has remained just that; a promise. After disposing of our best commercial assets, the government is now turning its attention towards Malta’s crown jewels – our land. A proposal to give away jewels like Xaghra l-Harma and the Pembroke garigue for golf is on the table. Manoel Island, Tigne, and now Pender Place and Fort Cambridge (Holiday Inn) have been sold or will be sold for more and more commercial development. Every open space is up for grabs. This is not privatisation. This is the politically motivated “jumble sale” of the unspoilt. Facing such a travesty, the Greens cannot promise to remain moderate any longer. We have an historic duty to defend what is left. We intend fulfilling it. Anybody who feels the same is welcome aboard!

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