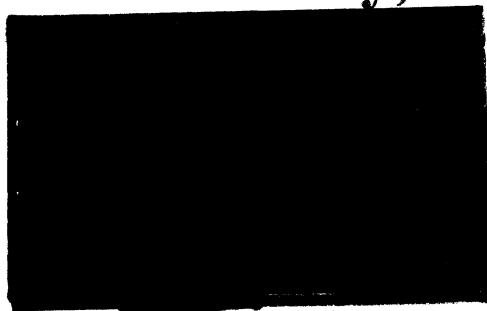


**Review Group on State Assets and Liabilities**

**Submission**

**By**

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## Submission to Review Group on State Assets and Liabilities

So anyway Dublin Co Co badly needed to build a bridge over the Liffey but of course circumstances as usual being tight, the Government wouldn't come up with the €39 million so Ireland's first toll bridge since the Middle Age's turnpikes was farmed out to private enterprise and a few decades later the state only paid around €600 million to buy the elevated structure. Any day now it will be paid for. Heading West, one flew over the cuckoo's nest. Based on this success the government has proceeded to create road tolls all over the country and more begob in the pipeline.

It is easily forgotten that it was private sector banks, developers, speculators and private interests generally that has got the Republic into the financial quagmire it is presently embracing. Teachers, gardai, public health nurses and other public servants of the state of the lower orders had nothing to do with creating the mess. However, it seems that the determined plan to rescue the situation is for the State to take off the hands of the private institutions all their toxic assets, the valueless developments, unfinished office blocks and ghost estates while selling off worthwhile existing state enterprises and national assets. That certainly should see a job of work done by Government decree and spending spree. You give us Anglo and we give away the ESB? This course of action has been recommended and approved by those who got us into the catastrophic situation at the outset. If we continue this circular movement undoubtedly we will turn corners, if not cartwheels.

Wild leftwingers and fuzzy socialists were often lampooned for suggesting the universally denounced notion of borrowing say half a billion, even a mere additional €39 million State investment to lower unemployment statistics, improve education, health or other facilities. Such pronouncements involving productive borrowing for future investment was of course derided by Governments. At least the current Government sees great potential in borrowing at minimum 32 billion Euro, a billion for each county, to give towards the Anglo Irish bank charity fund. The poorer the prospects of other private financial institutions, the more the Government will cheerfully acquire share of ownership and total responsibility for accumulated debts bequeathed to the Irish taxpayer. It's not as if AIB hadn't to be rescued previously.

Public Private Partnership pledges to construct several major social housing developments never materialised when the private partners abandoned their proposed involvement in the projects. Some of the more serious issues that arose involving Fás have allegedly concerned private contracting partners participation in training or assessment certification roll out.

Buying shares in Eircom, which citizens of the State already owned, entailed substantial financial loss for thousands of citizens who gave credence to the "money for old rope" promptings of politicians. The sale led to a disastrous infrastructural shortfall, a slow, inadequate roll out of broadband. The communications infrastructure built up over decades was largely lost to the State in assetstripping. The strategic importance of a State controlling nationwide communications infrastructure in an information age, not to mention a smart economy, was totally disregarded. Hardly a successful privatisation policy from the perspective of the common good?

Cumainn na nGael established the ACC Bank. In the 1930's the ICC was established. Both were sold off and business now finds itself starved of working capital with closures and ongoing unemployment inevitable. Instead of developing and building on foundations of a solid State banking service, reliance was placed on a poorly regulated private banking sector with consequences disastrous for both our people and economy. Arguably conservative and downright snobbish banking practise in earlier decades of our independence seriously contributed to constricting & impeding the economy with consequent mass unemployment, emigration and much collective and individual hardship. The State remained aloof. 'Competition' involves one possible winner and many certain losers and the open invitation to foreign banks to enter the Irish market contributed handsomely to the fiscal catastrophe now facing the country. Having introduced some particularly dubious practices, most of the foreign banks have now of course abandoned the State once the days of perceived easy pickings and potential quick profits evaporated. There is then the irony of the State proceeding to nationalise previously privately owned banking institutions disastrously indebted and bankrupt.

Hardly a successful privatisation policy from the perspective of the common good?

Aer Lingus was effectively privatised, no longer a National carrier to fly the flag, promote Ireland & tourism. The idiots that did this apparently never suspected that a significant rival airline might buy into the privatised company with many adverse, dubious consequences for a snookered Board. The strategic importance of a national airline for an island State was totally ignored. Until sense prevailed, there even arose some time ago a problem getting coffins back to the country. Hardly a successful privatisation policy from the perspective of the common good? This policy error may only come home to roost when we inevitably have no Irish controlled or owned airline. The number of tourists meanwhile visiting Ireland has sharply declined in recent seasons.

The Great Southern Hotels were sold off, the lot with the exception of two being sold for around €450 million in total at the height of a property boom. It is likely that without any hotel, the site of the hotel in Eyre Square in Galway alone might have achieved that price, not to mention the other magnificent sites and locations such as the Corrib Great Southern, Galway. Subsequently we saw an advertisement of the sale of "The Great Southern Art collection" prompting the suspicion that perhaps the artwork, some of it quite significant was thrown into the bargain giveaways... Perhaps the Government vendor didn't bother it's collectively irresponsible arse to take down valuable paintings off the walls. In poor times the Great Southern hotels flew the national flag in promoting Ireland as a holiday destination. They were a source of national pride. In various ways, including job creation & training, they were useful, like other state enterprises, as instruments of Government strategies down the decades. Hardly a successful privatisation policy from the perspective of the common good?

'Course the generous government tax incentive strategy for private sector hotels put the whole industry in meltdown. Coincidentally, the number of tourists visiting Ireland has sharply declined in recent seasons.

The Irish Sugar Company was privatised. Now, every grain of sugar is imported. The beet industry was wiped out at great loss to agriculture, individual farm families, the former factory workers & related jobs in transport, machinery etc. Shortly before the Celtic tiger collapsed, Greencore published elaborate plans to develop a large acreage of land in both Mallow & Carlow into the usual mix of retail / hotel / apartments developments. Were hundreds of acres of Sugar Co land thrown into the sell-off for a very inadequate price from a citizen and taxpayers perspective? The opportunity to develop a worldwide Irish agri-food industry and recognisable brands has been left sorely neglected. The State would be in a much healthier situation if the legacy of an MJ Costello, Todd Andrews, Gerry Sweetman, Ken Whitaker, the great Dr Noel Browne or Dr T. A. McLaughlin was evolved and invoked.

One of the real liabilities of the State is the appointment to State Boards of people with no commitment to the Public sector, people drawn from the private sector with only privatisation & subcontracting out in mind. Oh sugar! Hardly a successful privatisation policy from the perspective of the common good?

Over and over again it has been shown that Board directors in overseas capitals will for various reasons close down Irish subsidiaries, even when very profitable and regardless of dire local or individual consequences. When economic times get harsh, an almost permanent experience in the Republic of Ireland which since independence has been plagued by decades of unnecessarily high unemployment, emigration and underdevelopment with consequent social implications, the cry invariably goes up that we must endeavour to develop indigenous, native industry. Oh sugar.

It hardly makes sense then to sell off successful State enterprises already established. If every state enterprise that proves successful is sold off, little wonder that what remains is then presented as an inevitable failure of State initiative. If there are investors willing to buy State enterprises it must surely indicate potential for ongoing value so why would an indebted state choose to throw away the inherent rewards of ongoing ownership? Is a fire sale of assets going to bring an appropriate return to the state on investments already made? Is a period of global downturn the time to go to auction with valuable assets?

There is a case to be made that in some way successful State enterprises personify the successful State, create confidence in national policy and gladden the heart, the familiar tones of RTE, the awaiting Aer Lingus jet, pride in the National stud, the familiar postal service, the reliable embodiments of a nation at work. It is the family silver that represents a success for public policy, proof that a State can deliver.

It is easy to criticise CIE but over the years it provided a service to rural towns & villages. It provided a lot of employment. It showed its ability to dramatically upgrade services when not starved of capital to do so. After years of State neglect it has been able to modernise and set standards of comfort & efficiency in rail travel. Unlike private services, it has not confined itself to exclusively profitable routes. When permitted, it has promoted tourism. It has, in common with other state enterprises, been an excellent resource for training, upskilling and providing citizens with a store of expertise and know-how. It has been a backdrop of support to impoverished rural Ireland and with better management still has a major role to play. Poor management will bedevil both private or public endeavours. The State should never risk the possibility of our ports or airports falling outside national ownership.

In all national strategy it should be clearly understood that we must strive for community; social cohesion and not just an economy where 'fundamentals are sound'. Not every service can be run with profit in mind or be profitable. A school is not a business, students are not mere consumers. Hospitals & health services are unlikely to break even. Services for the elderly will hardly show up black on a financial balance sheet. Ensuring that isolated areas & communities are given their rightful state services may be costly and unprofitable. A Fire brigade service may burn up money. However, that is where proper governance at local & national level is crucial and appropriate State intervention and support through Agencies & State Boards are vital. Privatisation involves above all, the bottom line, a profit, an acceptable margin of profit ("Results disappointed the markets that had been expecting over a billion in profits for the first quarter and shares were down") and so in selecting where investment takes place, if at all, the private sector will often choose to ignore domains where services are required. When the wheelybins are privatised, there is no waiver or consideration for the less well off. Furthermore, privatisation invariably runs the serious risk that once in foreign control, our local and even countrywide requirements are no longer priorities or even worthy of consideration. We become voiceless, mere spectators to the destruction of our nation, helpless observers of crucial decisions made elsewhere. At the height of the celtic tiger many local newspapers were bought by outside interests. These newspapers were cherished locally and indeed provided community supports in a variety of ways. Now many have been closed down and others are at risk and quite removed from their communities. The *Kilkenny People* had a state of the art printing works closed down after a Scottish firm acquired the business. The paper is presently printed far from the Marble city. If postal, water, sewage and other basic services are nationalised, and a certain amount of this has already been undertaken by stealth, the result will be disastrous in the long term. Indeed the legacy of Thatcherism elsewhere hardly prompts travelling further along that divisive selfish selfdefeating road. "Keep a firm grip on your homesteads" the besotted patriot wisely remarked on returning from Thatcher's Brighton.

It would be a worthwhile exercise at this perilous moment for our nation if we reflected on the perspectives of Michael Davitt, James Connolly and Jim Larkin. If independence is to be meaningful, we must retain control of as much as is possible in modern times and the State should acquire or retain control insofar as possible of spheres of economic & social strategic importance. At a time of mass unemployment the State should not hesitate to directly create opportunities for citizens to be able to stay in the land of their birth and hold some prospect of a decent standard of living for every family. State enterprises should be vital engines for expanding opportunities, developing our economy, stimulating progressive ventures and immediately assisting in pulling us out of the mire unfettered capitalism and rogue private enterprises have left us to flounder in.

The Midlands, to cite an example, has much to thank Board Na Móna, the ESB, Coillte, OPW and other State bodies for over decades. Only for Semi-state activity broad sweeps of the Republic would have been veritable wasteland. It is remarkable that we can afford to give away the Corrib gas field to Shell when valuable native resources could be harnessed by our own for our own.

Even the most vital parts of the Civil Service were effectively privatised by failing to employ experts in various fields, not least a few economists for the Finance Department so that vast sums had to be spent buying in costly and frequently appalling advice & recommendations from 'consultants'. The 'in-house' expertise and skills one might expect a government to retain has been almost childishly overlooked.

Instead of privatising County Council responsibilities, how much cheaper, cost effective, morale boosting and employment generating would it have been longterm if their traditional road construction staff/ capacity, to cite example, had been maintained, co-ordinated and modernised? Billions spent on transport infrastructure might have been saved by the exchequer if the works had been undertaken through such national structures. If Council's had likewise retained their own social housing construction capacity we might to-day and for a long time to come have been better off. By dismantling public bodies ability to carry out work, even to the basic level of merely hiring /renting machinery for specific use, how much do we place ourselves at the mercy of corporations able to tender expensively for mundane tasks? The ideology that has prevailed to-date hostile to a vibrant Public sector and strong active semi-State sector goes far to explain our present predicament. In reviewing State assets and liabilities there must come the recognition that a reversal of doctrines that have contributed to the creation of the economic predicaments facing us is imperative. Blind trust in the private sector has landed us where "the indebtedness of the State" is a cause of unprecedented concern. Hand in hand with attacks on public servants who inconveniently get in the way of a marketplace *laissez faire* free for all came the free marketeers urging 'small government' meaning no official interference, minimal regulation (cut out the red tape, don't monitor what is going on, ignore consumer & labour protection?) and urging financial incentives for industry (private!) but reductions in social welfare. In Ireland this mentality extends to attacks on the minimum wage (If only employees would work for free, we could seemingly become more competitive and the economy would apparently thrive. One is sometimes drawn to contemplate on the rationale behind the abolition of compulsory slavery). Meanwhile, Berlin appears after all to be faring far better than Boston.

Despite the admittedly inadequate expenditure over decades on education, the State effectively privatised the school's it largely paid to construct and staff. It has accordingly been hampered in how it may proceed with such school's. One outcome now is that thousands and thousands of students must for lack of effective choice attend surroundings adorned with the iconology, reminders and real presence of a distinct faith whether they like it or not. Issues such as relationship programmes have fallen on stony ground much to the chagrin but impotence of the Department of Education. Belatedly some attempt is being made to rectify the situation but it is a bit late and the current 'owners' of many schools will not readily change direction.

Worse seems to be the creeping privatisation mentality of University authorities where the Newman philosophy of education being a worthwhile end in itself seems increasingly to be supplanted by the requirements articulated by such renowned bodies as the American Chamber of Commerce, Dublin and the views of multinational companies with educational chip on shoulder. Reliance on corporate sponsorship of university facilities is about as ethically above suspicion as such donations to politicians. Anyday now they will be laying the foundation for a Sir William Martin Murphy Hall of Industrial Relations. An education system should not be merely the conveyer belt to produce employees for private industry.

The concept of 'competition' which is frequently used to justify privatisation is a very dubious concept. ( despite all the different supermarket chains, try finding a significant difference in the price of thousands of everyday items) and where a 'winner' emerges, the most efficient, you are back to the dreaded monopoly anyway. Proper regulation is what is required. Multiple players in a small market may only so fracture & divide the available market, that nobody survives or has enough capital to develop, maintain and modernise services. There is a certain validity in suspecting that the EU promotes private enterprise corporate expansion at the expense of State enterprise hence the growing hostility in some quarters to the European institution. Private banks could be 'rescued' but not Aer Lingus or Team Aer Lingus SR?

The ESB has provided a reliable service down the decades. The night of the storm they are out restoring service to households in the remotest corners of the land. Their engineers and other employees have been successful worldwide, an invaluable fund of expertise. The total Irish market is too small for 'competition'; after the 'big switch' all that will happen is that the market will have been so fractured that no company will have the means in future years of upgrading, maintaining and developing the energy infrastructure required.

Privatisation also poses the significant risk of falling outside national control and so the nation's energy needs, or other crucial imperatives are no longer prioritised or even given the importance deserved.

It would be folly to break-up or sell off the ESB. In order to reduce electricity charges by competition charges were deliberately increased to entice in competitors and the ESB was prevented from doing anything about it to protect its market base! Has any private enterprise in Ireland or within the EU ever had its hands commercially tied behind its back in similar fashion?

Most domestic users would not seriously fault the ESB service over the years, including cost and though industry often complains of the high cost of energy in Ireland, does it follow that private suppliers would automatically be cheaper than a semi-state supplier? The experience in the UK suggests that public utilities that were privatised lead to much higher charges for consumers and no little extravagance in what the CEO's of many privatised utilities were paid.

Recent suggestions that the ESB must change its name is stupidity unrestrained and again hints at ideological bias, not least apparently within the EU framework, hostile to State enterprise. If there ever is light at the end of the tunnel again, it will be the ESB switching on.

RTE has been an outstanding public service broadcaster all my lifetime. By all means private companies may enter the market, but RTE should continue as a national service under its present autonomy and allowed to continue its generally superb standards. There is no comparison, RTE TV wins outright over TV3 in quality, popularity and standard of output while promoting the Irish language, supporting Irish artists and media inputs. RTE in general sets high standards of public service broadcasting.

Public service broadcasting is important. Otherwise, the media is rapidly reduced to tabloidisation and trivialisation, all too frequently the lowest common denominator. This in turn affects overall public knowledge, attitudes and understanding of events. A form of mass ignorance can be fostered by exposure to purely commercial media interested only in the 'what sells' headlines. No proper analysis of national or global complexities. One reflects on Ray Burke and Century radio. Then there's Rubert Mudwreck.

The VHI has provided an appreciated reliable service over the years to millions of customers.

By and large it has served its customers well. It should not be sold off. The two tier health system should of course have been eliminated long ago but while there is a perceived need for health insurance, it would be disgraceful to destroy the VHI business to merely hand it to private operators. Interestingly as in this case where 'competition' has in fact entered the market but the customers in large measure stayed with the loyal semi-state that had served them well, this was regarded as even more reason to break-up, hinder and sell off the successful State enterprise. Indeed the clear policy of recent years to promote health service privatisation, including Agency nurses & non construction of modern public nursing homes, is an unmitigated calamity. Any sign of the private colocated beds yet? Are we off our trolley?

In reviewing State assets and liabilities it may be noted that in seeking to create employment there has in recent times appeared to be a lobby influencing government to change legislation to introduce gambling casinos to Ireland. As matters stand several 'casinos' and poker clubs seem to have sprung up regardless of the law as understood. However we have enough problems and the Review Group in passing might helpfully hint to the Government that the laws on gambling should be firmly set against the legalising of casinos or further extension of a gambling industry.

It might be gently suggested that NAMA is a sufficiently large enough state gamble to be getting on with for the foreseeable future. Putting our cards on the table before the State entirely loses its proverbial shirt.

When speaking of the private sector, the 'unsheltered sector', it might be worth bearing in mind the considerable State interventions to "assist" the sector. Apart from low corporation tax, the State through the IDA often provides the factory building, if necessary the new road & public lighting to the facility, contributes significantly to worker training, assists in finding markets and general promotion, provides mentors, monitors and advisors and in short pours millions into the private arena. I.B.E.C. sometimes seems to overlook this. Millions has been expended by the State to entice foreign private corporations into the Republic. One of the follies of earlier decades of independence was to persist with 'protectionism' when even W. T. Cosgrave recognised the error of that policy.

Our economy has been clubbed into insensibility. A realistic level of self sufficiency might be a fashionable and productive goal to set ourselves once more. Instead of asset disposals, the State needs to create a lot more assets. The State should not stand back and hope the private sector will turn up trumps.