



**COMBINED PENSIONERS AND SUPERANNUANTS
ASSOCIATION OF NEW SOUTH WALES INC.**

Founded 1931. Celebrating 75 years of service in 2006.
Serving pensioners of all ages, superannuants and low-income retirees.

Consumer Protection Awards – 2002, 2003, 2004

**SUBMISSION
TO THE PUBLIC ACCOUNTS COMMITTEE
NSW LEGISLATIVE ASSEMBLY**

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Inquiry into Public Private Partnerships

Introduction

Combined Pensioners and Superannuants Association of NSW Inc (CPSA) is a non-profit, non-party political membership based organisation serving the interests of pensioners of all ages, superannuants and low-income retirees. It has around 140 branches and affiliates with a combined membership of over 15,500 throughout NSW. CPSA also serves the interests of its membership and broader constituency at the local, state and federal levels.

CPSA's interest in Public-Private Partnerships

The association's membership and broader constituency include many people who are reliant on particular services usually provided by the NSW Government. These include public hospitals, trains, community services and public housing. The delivery of such services is usually on a not-for-profit basis. If they were delivered on a full cost recovery regime, it is unlikely that many of the members and clients of CPSA would be able to afford them. Therefore, the association is adamant that public services must remain in reach of the many residents of NSW who would be unable to access these services on a for-profit basis. Public-Private Partnerships (PPPs) appear to be the 'thin end of the wedge' when it comes to service delivery. If this is the case, it is not an optimistic outlook for consumers on low incomes in NSW.

The problem with PPPs

PPPs have become increasingly part of the way the NSW Government delivers services. The most well known recent example is Sydney's cross-city tunnel. This example alone points to the dangers of PPPs. The tunnel has to be paid for by an unacceptably high toll in order to both reimburse the private consortium that built the infrastructure and assist with generating profit for the consortium. The toll, of course, is in addition to the tax paid by motorists who are under the assumption that at least part of their tax dollars go to roads and highway maintenance. This has particularly angered Sydney road users as the roads are a vital part of state's infrastructure – not to generate profits for private enterprise. The NSW public is being increasingly asked to accept PPPs as the way of the future.

In a paper by Christopher Sheil from the University of NSW, PPPs are not actually partnerships but in fact nothing more than privatisation by another name:

“The truth is that almost nothing in these latest privatisation policies can be fairly described as providing for the formation of partnerships, apart from the

frequent rhetorical assertions that the policies do have this aim. On the contrary, almost all the detail of the policies testifies to the fact that they primarily aim to establish long-term commercial contracts, provided these represent so-called 'value for money'.”¹

Commercial contracts, by definition, come with strings attached. Freeways built using PPPs are generally done so under clauses stipulating the exclusion of public transport in the area for a given period. This is hardly beneficial to those NSW residents CPSA represents. Public transport usage plays an important role in getting older people and people with disabilities out of their homes and access to health and social services. Some of these people are unable to drive. Perhaps ironically, PPPs used in transport development can have a deleterious impact on the transport using public.

CPSA is very concerned that hospitals, social services and vital infrastructure delivered via PPPs will only be done so in a way that suits the private consortium in 'partnership' with the NSW Government. This runs counter to the basic principles of planning. Services and infrastructure should be planned and delivered on the basis of need. Not on the basis of private profits or government savings. And if the NSW Government thinks it is making significant savings by entering into PPPs it should think again. Graham Larcombe and Paul Fitzgerald point out:

“In NSW the government has contracted a private sector consortium comprising ABN AMRO, St Hilliers, Hansen Yuncken and SSL Facilities Management (Spotless) to build, maintain and provide security in nine state schools, which the government will lease back for 30 years...Although this PPP was announced with much fanfare, the government has acknowledged that, if all goes well, the project will produce only a four per cent saving over 30 years to taxpayers. The benefit according to the government is that the schools can be built in 2005 rather than 2010 with the involvement of the private sector. This assumes that funds cannot be raised in other ways such as through traditional public sector debt financing.”²

So why doesn't the NSW Government look at the alternative of public sector debt financing? As Sheil says:

“The contemporary refusal of the States to maintain, let alone increase, traditional public borrowing has thus opened up the way for PPPs. Let me stress that the present zero public debt policies are driven by nothing but pure populism, or economic irrationalism. There is no reputable rationale in any economic theory for

¹ <http://evatt.org.au/publications/papers/51.html>

² <http://evatt.labor.net.au/publications/papers/117.html>

our State governments not to borrow. Australia's public debt to GDP ratio is ridiculously low, at 6 per cent compared to an OECD average of 40 per cent. There is no microeconomic or macroeconomic justification for eliminating this remaining skerrick of debt.”³

Conclusion

It appears that PPPs are only promoted on an ideological basis. It certainly can't be on the basis of sound economic management or efficient service delivery. The ideology of privatisation affects ALP as well as Coalition governments. However, there is no obligation on the part of any government to continue to enter into or promote PPPs. CPSA calls on all governments to halt this practice and use public funding to build infrastructure and deliver services on the basis of public need not private profits or contractual pressure.

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³ Op. Cit.