



Privatisation in Malta

The Government, in November 1999 issued a White Paper titled 'Privatisation : A Strategy for the Future' in which it made public its commitment to sell and transfer onto private hands all public entities. The program of privatisation includes major industrial activities, enterprises in the manufacturing sector and Government services. Since 1988, the Government liquidated over 40 companies, fully privatised 22 and sold shares in Lombard Bank, Bank of Valletta and Maltacom. Mid-Med Bank was totally sold to HSBC. The Government had also set up "The Privatisation Unit" consisting of local businessmen, academics and Civil Servant. The GWU was highly critical to the component of this Unit as the social partners were completely ignored and left out. The GWU, in response to the White Paper stated that it cannot accept or agree with a policy for the total privatisation of public entities which are essential for the social and economic development of the country. To the contrary the GWU maintains its long stand against total privatisation of essential public entities and that these are to remain under the effective control of the State. The GWU firmly believes that there are alternative pathways to privatisation.

The General Workers Union's stand on privatisation

The General Workers Union reiterates its stand against total privatisation of all state corporations, parastatal and public companies which are vital for the well being of the nation in the economic and social areas. The GWU firmly believes that these public utilities should continue to be under the effective control of the state, or otherwise, privatisation of such utilities will only be on partial basis whereby the citizens, through its Government will remain the majority stake holders in such utilities.

It is quite evident that the privatisation programme the government embarked upon is inspired by ideological reasons. Such an inspiration emerges clearly from the very introduction of the White Paper (Privatisation: A Strategy for the Future, 1999) which states that "privatisation is being encouraged the world over on the premise that privatisation generates higher economic development and wealth. Privatisation in Malta should reach these aims".

The GWU believes that prosperity cannot be achieved once the social aspect of certain entities is discarded. Neither can economic development be genuine if those entities which are vital to the running of the economic machinery of the country are transferred outside the area of the Government who operates on behalf of the people.

The public sector was not created and developed in vain. The growth of this sector was directed to achieve the aspirations of the people at a time when Malta was leaving behind its colonial era. Then the Maltese aspired for access to essential services, to better education

and health services. The private sector had to be provided the energy resources, communication facilities, transport etc. in order to expand.

It is common knowledge that many countries proceeded on these lines. Then, they opted for different directions in the early Eighties, when most of them, especially the United Kingdom, embarked on privatisation programmes. Their objective was to minimise the government's domination in the economy of country apart from reducing as much as possible the public expenditure. In most cases, the social aspect was completely put aside as "it is difficult and indeed almost impossible to reconcile the rights and interests of the public with the claims of an individual company seeking as its natural and legitimate objective the largest private gain"

The method by which privatisation is being promoted in Malta matches perfectly the way privatisation has been sold elsewhere, particularly in Britain during the Thatcher era. Thus, efficiency, complimented with better service to the general public was set as the main objective for privatisation.

If the public sector is facing an inefficiency syndrome, the solution is not to dismantle the sector but to improve and innovate it. It is clear that efficiency is no one sector's monopoly and in no way can efficiency and the private sector be described as an inseparable duo. In as much as public entities be managed professionally, we are convinced that also the public sector can be acclaimed for efficiency.

The White Paper itself admits that mismanagement is the cause of the inefficiency within the public sector. In fact, the conclusions of the White Paper's second chapter uncovers four factors which are attributed to inefficiency in this sector.

The excess number of employees, bad use of resources and wastage, lack of controls and outdated work practices as indicated in the White Paper are all matters of management. This situation may have arisen maybe, due to political interference. The GWU cannot however accept that, political errors or not, the blame be shifted onto the workers. We do not believe that the only solution to tackle these problems rests in privatisation, the more so, if this is meant to be total privatisation.

If politicians were responsible for those presently labelled as excess workers, the solution is not to privatisation and sacrifice their jobs. The solution lies in adopting the criterion of meritocracy rather than political allegiances. Also, new managerial practices should be introduced especially where wastage of resources and lack of controls are evident.

The public sector's needs were left unattended and accumulated along the years. This led the public sector to fall behind the private sector in terms of efficiency. However, this situation does present an automatic mandate for total privatisation of public entities, especially those vital for the social and economic fibre of the country.

In this background, the GWU reiterates what it said in 1998:

that "privatisation processes should consider the importance of mixed or partial solutions whereby the state remains the sole owner and involve private investors as partners"

In all cases, privatisation processes should create safeguards and social controls for the protection of the collective interests. Therefore, privatised entities should be made subject to permanent social auditing through appropriate practices and mechanisms. In addition to these, the government should guarantee that no jobs are lost and that workers of partially privatised entities will not suffer any decrease in their working conditions due to privatisation.

This is amply clear that the White Paper, with regard to jobs or jobs losses, is verging on the unknown apart from the fact that the government is already indicating clearly of abdicating its responsibility to safeguard jobs.

Government is assuming that privatisation will improve the economic competitiveness and thus attracts new investment and create new job opportunities. However, it is very evident from the White Paper that privatisation will inevitably bring job losses. The White Paper itself asserts the importance "that the period between one job and another should be the shortest possible".

Moreover, the principal measures which the White Paper proposes as alternatives to make good for job losses are not sound and realistic especially where it refers to training and retraining of workers. There are no training and retraining schemes even though the GWU has for long been insisting on the introduction of such programmes.

This fact inspired the GWU in 1999 to insist that the Board of Directors of the Employment and Training Corporation should be composed of the social partners who sensitive to the labour market needs. Hence they would contribute towards our country's adaptability to the changes that are taking place in the labour market.

The GWU does not consider as realistic the proposal to encourage schemes for self-employment and co-operatives in order to mitigate large scale job losses. The GWU still believes as it did in 1998, that employees of entities that are listed for privatisation should be offered the opportunity of share holding with preferential conditions, both on individual and on collective basis.

Most of the errors made in the public sector could have been avoided if the workers were involved in the decision making process. Most decisions within the public entities are taken afar from the entities themselves. The workers' involvement is therefore important and essential to guarantee that old mistakes are not repeated.

For the first time, through this White Paper, the government has indicated not only those public entities destined for privatisation but also the services which are provided by the public sector. Table No. 3 of the White Paper shows those Government services with a potential for privatisation.

GWU disagrees, for example, that the collection of taxes should be farmed out to the private sector. This can bring a situation of abuse that can reach uncontrolled proportions while the government would be allowing an important source of income in the hands alien to it: as if a family were to let its finances be managed out of its control.

Another service with a privatisation potential is the cleansing service. It seems here that there will be a repetition of an old mistake. An example of this is when the hospitals' cleaning service was partially privatised and the end result was a sheer exploitation of miserably paid workers. All this happened under the government's nose at the same time when the government is duty bound not to allow such things to take place.

Mechanical, construction and maintenance services provided directly by public sector have also been placed on Table 3. This means a lot of uncertainty for thousands of workers who are employed in these sectors.

Previously, the Government was well equipped to provide such services. However, during these last years, the government started to farm them out while keeping its employees idle. The GWU's insistence led to the setting up of co-operatives in this sector.

These showed that the government employees, when given the initiative are able to influence decisions, compete and be as efficient and productive as those in the private sector.

This does not mean that co-operatives are the only solution. Co-operatives set up at the management's insistence, with the sole aim of cost cutting, cannot last long. The workers themselves will sooner or later realise that they have been cheated. The GWU believes that

co-operatives set up with the sole purpose of servicing the government needs cannot auger well for these co-operatives. In order for these to survive, they must be equipped to compete with the private sector.

If the public services are left to wither away and no new investment is forthcoming, its employees cannot be efficient. Thus their productivity will be low. The GWU believes that the government must use the modern management practices which make such services viable. Once this is done, the employees become efficient.

Privatising these services presents a problem to which the GWU cannot turn a blind eye: what is going to happen to the employees presently employed in the public sector? The recent experience of the privatisation of the public sector hospitals' kitchens indicate that the government's main objective in privatisation was to reduce the number of public sector employees. The GWU has made its position clear. It is not ready to accept that the conditions of work for these workers deteriorate as a result of ideology. This is especially so when there exist methods which may change into efficient and viable ones.

The White Paper focuses its attention on regulation or control of those privatised entities. The government seems inclined to adopt the contract based or license approach, which the GWU believes it is the weakest form of regulation.

Whereas the two other approaches have quasi-judicial powers, the approach which preferably seems to be adopted by government, is limited in the sense that it has no power to issue directives, take initiative or consult consumers. The White Paper indicates that the government is inclined to adopt this approach because it is the one which "offer(s) investors the most certainty". Thus it is believed that this approach will not shy away investors.

The GWU believes that the social aspect should not be sacrificed. Regulation is essential as it is the only way which ensures the social aspect of the services provided. It should guarantee that nobody is marginalised. Lack of adequate protection sacrifices the individual to profits which are the ultimate objective of the private sector.

The GWU points to the social aspect in the provision of water, electricity, telecommunications and the postal services. They are all essential services and thus are basic rights. All basic rights must be protected by society to guarantee that nobody is socially excluded. In this respect, the government, which is the collective, must guarantee these rights by securing the majority shareholding in these entities.

Such entities should see that both the social aspect and the viability of the enterprise should be given their due importance. On the other hand the GWU believes that because of our size, such vital and strategic enterprises should maintain a government majority shareholding. The airport, ports and public transport are typical examples.

To guarantee consumer rights it should be pointed out that such entities should ensure consumer satisfaction. These interests can be secured by direct consultations both with consumers and their associations. All monopolies whatever their ownership structure, must ensure that the social aspect and economic viability should be given their due importance.

The GWU believes that apart from ideological reasons, Malta's application to join the EU is another reason for the privatisation programme. The EU Commission insisted that the government should retreat from its dominant position in the local economy. This was made clear in the avis and the correspondence that passed between the EU Commission and the Maltese Government.

The GWU believes that the national interest should be defined in terms of the nation's and its citizens' interests. No other interest should supersede these interests.

In the conclusion of the White Paper, Government admits that it "is very mindful that there are significant dangers to the people, if the privatisation programme is not properly implemented...". The GWU believes that privatisation should take into consideration the social aspect and the fact that certain enterprises are vital for the economic well being of the country.

The White Paper ends with emphasising that the adopted method of privatisation is based on international experience. On the same basis the GWU emphasises that international experience has shown that unbridled privatisation ended up in making the least powerful sectors less powerful. These are sectors to which the GWU feels obliged to defend and make their voice heard.

Contrary to what is stated in the White Paper, the GWU never refused to meet anyone to discuss privatisation. Not only so, but the GWU feels that as a social movement and the largest labour organisation on the Island, it should give its opinion and make its beliefs known to all. Since its inception, the GWU who always laboured to guarantee that nobody will be emarginalised, cannot shy away from its responsibility in order to make its views known on a subject which will inevitably have a social impact. Such impact may negate all the benefits that have been secured throughout time through the effective contribution of the GWU.

The privatisation debate is an ongoing process. It is not one which ends with the issue of a White Paper. Although the Government has declared that it intends to privatise all enterprises, it has not specified the methods that will be implemented in each case. It is clear that it has not made a social audit of the impact of privatisation. Thus in such a process, consultation is more appropriate than simply debating. This is especially so, if we are, not only to reduce the risks declared in the White Paper, but to eliminate them.

Negotiations, contrary to what is indicated in the White Paper, should not be limited to one stage of the whole process. Thus discussions and negotiations should precede each year's programme of privatisation to establish which enterprises are socially and strategically viable to be privatised.

The General Workers' Union is always ready to view its beliefs and opinions in the discussions and negotiations which the GWU expects Government to hold after this initial reaction.
