

Privatisation: a UK perspective

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COMMENT



My first stint of living in London was at the time of the first of Thatcher's sell-offs of state-owned assets, which started with British Telecom in 1982.

At that time I met a Jamaican Telecom technician – in a pub, of course – who received some shares when the entity was publically listed. He had mixed feelings about the deal: pleased to be among the privileged few, and a little guilty to be benefitting from this 'theft from the people'. Significant effort and public investment had already been put into making the company worth privatising only for connected elites to get an excellent deal, we believed.

Fast-forward to 2018 and how the telecommunications landscape has changed. When reconnecting services in London now, it's the cable/fibre service that dominates, for broadband and digital TV, with phone and mobile phone services bolted-on. Numerous providers and cost-comparing websites help identify the best deal. The state monopoly is history.

British Airways (BA) was privatised a few years later in 1987. It is now owned by International Airlines Group (IAG), an Anglo-Spanish holding company registered on the London Stock Exchange that also owns Iberia, Aer Lingus and several smaller airlines. In 2017, the company had over 63 000 employees and generated revenues of nearly €23-billion.

Buying an aeroplane ticket is another massively competitive process, particularly in Europe where low-cost airlines such as Ryanair, EasyJet and Wizz Air all offer budget flights via online and comparative booking systems. But BA remains successful.

Electricity privatisation followed in 1989, when the CEGB (Central Electricity Generating Board) was split up into three new companies; PowerGen, National Power and Power Grid Company. Within a few years, English nuclear assets were split away to become Nuclear Electric, which was subsequently merged with the Scottish nuclear plants to form British Energy. Ironically, this nuclear company is now owned by EDF, France's state-owned electricity company.

From a consumer perspective, electricity is currently an energy commodity sold along with gas using pay-as-you-go or fixed tariff contracts similar to those we are used to from cellphone service providers. It is possible to switch energy providers at will and dedicated services are routinely advertised to help consumers get the best deal possible.

British Rail deregulation and privatisation took place between 1994 and 1997. Infrastructure such as large stations and track were sold to Railtrack and

maintenance services to contractors in different parts of the country. Ownership of passenger rolling stock was passed to private companies and leased to train operating companies (TOCs) via a franchising system overseen by the Office of Passenger Rail Franchising.

By 2002, Railtrack was experiencing serious financial difficulties and was transferred back to the state as Network Rail, which remains a non-profit company today. The TOCs have flourished, though, and the franchising process is very competitive.

Ticketing across the network is now highly integrated so that passengers can buy a single railcard for use on any of the different rail services as well as interconnecting trams, buses and ferries, regardless of the operator or owner.

Putting the Queen's head into private hands was, for many years, seen as taking commercialisation too far and the Royal Mail was only privatised in 2013. So what changed? Internet shopping and parcel volumes. Now, free door-to-door delivery for online orders from the likes of Amazon or eBay is available within two days – and my 2:00 pm order of a 'Man U' shirt was delivered before midday the following morning.

In contrast, there is the National Health Service (NHS), the largest single-payer healthcare system in the world and 100% publicly funded. But who runs it?

Healthcare provision – running hospitals and the local healthcare trusts – is now done through contracts with private Healthcare providers, Richard Branson's Virgin Care being one of the most successful. The Virgin Group, which includes Virgin Air, Virgin Rail, Virgin Active, Virgin Connect, Virgin Mobile and a host of other service related companies and franchises, has been a very prominent participant in many of the UK's privatisation campaigns.

I am convinced that many of the services now on offer in the UK are better than they were in 1982. In comparison, service delivery from the equivalent SOEs in South Africa is poor.

Public ownership of SOEs does not equate to members of the public being richer. I now think the opposite is true. If we can get rid of the debt and bailout costs associated with running politically influenced and inefficient SOEs, South African citizens will be better off.

But can we trust a greedy private sector? As in all of the UK's now privatised utilities and services, Internet connectivity is the ultimate regulator. It puts pricing and service delivery statistics directly into the hands of consumers, which helps to keep private service providers relevant, efficient and honest. □

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