Why we need privatisation

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The government is offering some state owned institutions and industries to the private sector. Is it essential privatization to our country? What are the benefits if those industries privatized? Why are Sri Lankan, citizens and Unions scared to transfer public sector industries to the private sector?

What is privatization? Actually, privatization is the transfer of public sector resources to the private sector. So, is it essential? At this moment some of those industries had been corrupt and not making a profit. Consequently, government has to take a decision for the country's economy. Today government's first concern would be and will be country's economy. Until this period of our political history, we did not have an accepted political establishment. If we did, we should be at the same level of India economically and politically. In my opinion, our country needs to transfer nationalized industries to the private sector in order to recover our economy. However, we should bear in mind to set up privatization in a formal way and for consumers not to immune from privatization. Privatization has taken a number of forms, they are following, (1) The sale of nationalized industries - the most publicized privatizations were the sales of large, well known nationalized industries. (2) The sale of parts of nationalized industries-some nationalized industries were broken up by parts being sold off. (3) Deregulation-this involves restrictions that prevent private sector competition. (4) Contracting out-in the case of many government and local authority services have to 'contracted out' to private sector business. This is where contractors are given a chance to bid for services previously supplied by the public sector.

Benefits from privatization

What are the reasons for privatization of British owned industries? I would like to take this example as we having same sort of problems in our nationalized industries. (1) The sale of state assets generates a great deal of income for the government. The table below shows the revenue raised from privatization from 1979 to 1997. It also indicates the amounts that could have been raised in 1998 by selling off certain state owned organizations at the time. (2) Nationalized industries were insufficient. Industries lacked the incentive to make a profit and main aim to provide a public service. As a result, sometimes costs tended to be high and they often made losses. Likewise, there were overstaffed. Consequent of these if these industries in the private sector, they would be forced to cut costs, improve their service and return a profit for the shareholders. (3) As a result of deregulation, some organizations would be forced to improve their services and charge competitive prices. Consumers would benefit from this and should have greater choice.

Revenue from privatization in United Kingdom

UK privatizations: What they raised	Pounds (£)	What the government could have sold, 1998	
1979-80	0.4bn	600m	Air Traffic Control
1980-81	0.2bn	8.0bn	BBC
1981-82	0.5bn	200m	British Waterways
1982-83	0.5bn	20m	Cent. Office of Info.
1983-84	1.1bn	2.0bn	Channel 4
1984-85	2.0bn	50m	Coastguard Agency
1985-86	2.7bn	500m	Commonwealth Dev. Corp
1986-87	4.5bn	500m	Crown Estate
1987-88	5.1bn	500m	Defence Evaluation Office
1988-89	7.1bn	80m	DVLA
1989-90	4.2bn	30m	Hydrographic Office
1990-91	5.3bn	1.2bn	London Underground
1991-92	7.9bn	100m	MetrologicalOffice
1992-93	8.1bn	80m	Ordnance Survey
1993-94	5.4bn	10m	Pipelines Agency
1994-95	5.5bn	3.0bn	Post Office
1995-96	1.0bn	20m	QE2 Centre
1996-97	1.0bn	1.0bn	Radio spectrum
		80m	Royal Mint
		800m	Scottish forests
		400m	The Tote

Source: adapted from the Treasury in UK.

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(4) Once these organizations had been sold to the private sector, there would be little political interference. Investors would be free to determine their own investment levels, prices and growth rates. According to Sri Lankan, political history political interference has affected the performance of nationalized industries. (5) Privatization would increase share ownership. This would lead to a "share owning democracy' in which more people would have a "stake' in the success of the economy. (6) Privatization should improve accountability. In the private sector, these industries would be accountable to shareholders and consumers. Shareholders would expect a return on their investment and consumers would expect a quality service at a fair price.

Impact on businesses and Criticis

When the nationalized industries became in the private sector properties impact of the privatization would be achieving a surplus or profit has become important objective. In some cases, prices might have change because of privatization. Some of the newly privatized businesses have cut back on staffing levels. This would affect on overstaffed industries to reduce their staff according to cut extra costs. Many companies increased investment following privatization. Some of the companies have begun to offer new services and diversify. Although there will be some mergers and takeovers involving newly privatized companies. There will be arising arguments against privatization in the future such as privatization might be an expensive i.e. advertising campaigns. Privatization may not lead to a greater competition. Nationalized industries were sold off cheaply.

To regulate privatization

When the government decided to transfer state owned industries to the private sector, they have to regulate the private sector businesses. The government's responsibilities are to control when the private sector businesses may be able to exploit their position by increasing their prices or reducing services. The government should set up specialist 'watchdog' agencies to protect the public.

Likewise, the government should set up and I reckon the Monopolies and Mergers Commissions to monitor firms, which might act against the public's interests. Consequently, the government's responsibilities are protecting the public and monitor the private sector businesses. Private sector business's responsibilities are providing better service and charged fair prices for the consumers.