An urgent need for public awareness

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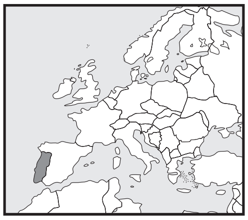

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The history of privatisation policies in Portugal is not linked to structural adjustment programmes or other direct intervention by the World Bank or the IMF. Its effects are only now starting to be visible to the common citizen. The government directs all the processes aimed at the privatisation of public services, and the scarce and vague information that reaches the population is usually belated and incomplete. The question now is how much of this process, and the rationale behind it, can be shared by people at large, who do not take part in the decision-making process directly. We believe a participatory stance must be adopted—that people should be encouraged to discuss and generate opinions and ideas on the current process of privatisation of public services, which will have an impact on everyone's life. Since privatisation is in its initial stage, the data available is very limited, and the consequences, especially for the most fragile segments of the society, are not yet clear.

Over the last century of Portuguese history, the State has had a very interventionist role in economy and society. The 1974 revolution that overthrew the dictatorship and restored democracy brought about the nationalisation of many companies and entire sectors, from banking to cement production. In 1986 Portugal joined the European Union, and was thus obliged to comply with competition laws and macroeconomic goals set by Brussels.

For the last 20 years, the public sector has been shrinking. State companies were privatised, and the number of public workers decreased as a percentage of the total workforce (although still a significant share – 14% in 2002). Apparently for political reasons, public employees also make up a significant share of voters, and no government ever forgets that while negotiating with their unions; public workers have obtained economic and social privileges, such as a lower retirement age and higher pensions. One positive aspect of the public service is gender equality: women earn the same as men, whereas in the private sector women earn on average about 66% as much as men (Eurostat).

The centre-right government that came into power in March 2002 has further diminished state intervention. Since then, government has made it a priority to control the budget deficit by the year 2004, as part of the European Union's Stability Pact. Cutting costs seems the more reasonable thing to do, as an increase in government revenue through higher taxes, besides being unpopular, is not very effective. Thousands of public workers under contract have been laid-off since May 2002; public institutes and agencies were closed down or merged, from environmental agencies to support institutions for drug addicts, and some government buildings are for sale.

The major opponents of these latest measures are state employees, who fear losing their jobs or privileges they have long enjoyed. Their unions are very active, taking social protest to the streets with calls for general strikes. At the same time there is increasing pressure to privatise public services.

Social security

Social security is a universal constitutional right. However, chronic under-funding, caused by an ageing population and stagnant population growth, has made changes necessary. In the short run, the proportion of pensioners will increase while the proportion of active workers, who contribute to pension funds, will decrease. The government has responded by proposing a new Basic Law for Social Security, which would allow workers above a certain wage level to choose between contributing to the public Social Security for their pensions—currently the only option available—or to subscribe to private retirement plans with a private insurance company. This Law is presently under discussion in Parliament and at the Council for Social Concertation, with representatives of the different social and economic sectors.

Some critics of the new law, especially the most left-wing political parties, argue that the funding crisis has been exaggerated by private insurance companies, which seek to persuade the public that the financial collapse of the social security system is imminent. They also argue that the proposed solution will only add stress to the public social security sector, which will receive less income as a result of diversion of funds to the private sector.

One of the ways previous governments intended to maintain social security revenues was through an increase in the retirement age for men and women. In 1993, the government increased the contributive lifetime from 36 to 40 working years, and women's retirement age increased from 62 to 65 years old. In addition, because under-funding is largely a result of social security tax evasion by small and medium size enterprises, the government intends to improve enforcement with more frequent inspections of these firms. According to the Commerce Confederation and the Industry Confederation, if the government is successful in its efforts, bankruptcy may be imminent for a large number of those companies, with a consequent increase in the number of unemployed and still greater stress on the social security system to pay unemployment subsidies.

Health care

The State provides universal health care for all, irrespective of economic status or place of residence. The National Health System comprises public and private hospitals, regional public health units, private pharmacies, private clinics, public and private labs, and freelance doctors. The role of the State is to ensure high quality service in both private and public institutions and to see that private healthcare providers follow rules governing competition. However, the public health sector has been criticised for not achieving its main goal of universal care. From a recent study from the Chamber of Pharmacists, the people's perception of public sector service, although positive, is less positive than their opinion of private institutions. To ensure good quality service and budget compliance, the State is now turning to private companies to manage state-owned hospitals and health units, starting in November 2002.

The biggest protest has come not from patients, but from health workers, who generally try to make the best of the scarce resources they have and now fear losing their jobs or being forced to work even harder, subject to the mandates of the new management. On the other hand, private management seems to support the interests of patients, especially when it increases quality without increasing the prices paid.

The only experience so far of private management of a public hospital, the Hospital Fernando da Fonseca near Lisbon, is not conclusive, as the government is asking for compensation from the hospital's management board for not having achieved its contractual goals, and the board is asking the government for funds that were supposedly part of the contract and never arrived (July 2002). Still the government is moving on with the private management model in 36 private hospitals, through partnerships with private groups and charities (Misericórdias).

Transport

Until 1997, all railway activities had been undertaken by the state-owned Caminhos de Ferro Portugueses (CP). CP was a vertically integrated monopoly, receiving significant financial support from the government. Since 1997, the railways have undergone restructuring to increase efficiency. The new railway model defines distinct levels of competence. In the same year, CP was divided into two different companies, separating infrastructure from operation: CP now provides passenger and freight transport services while a new state-owned company—Rede Ferroviária Nacional (REFER)—manages the infrastructure. Furthermore, in 1998 the Instituto Nacional do Transporte Ferroviário (INTF) was created as an independent rail authority responsible for the regulation and development of the rail transport sector. A new company, FERTAGUS, was created in July of 1999, as the first private operator, responsible for new suburban passenger service in the Eixo Norte-Sul (the urban region of Greater Lisbon). FERTAGUS assures the management and commercial exploitation (at the operational level as opposed to the infrastructure level) of the commuter railway line while its clients pay a fee for the use and management of the infrastructure to REFER. According to the daily information given by CP (available in the train stations), the results so far reveal improvements in the frequency and punctuality of both passenger and freight trains.

Because the infrastructure for this sector is extremely expensive, returns from investment take a long time. Therefore no private investor would risk its capital without assuring return rates demanded by stockholders. This raises the prospect of tariff increases and/or the lowering of the workers' wages as a means of generating greater returns in the short term.[1] This becomes a social issue because poorer and disadvantaged groups are generally more dependent on public transport and cannot easily find affordable alternatives.

Electricity

In 1976, the public company Electricidade de Portugal (EDP) was created, integrating all the former companies of production, transport and distribution (which had been nationalised in 1975). In 1997, the privatisation of EDP began. The restructured electricity sector would now be regulated by an independent regulatory agency, Entidade Reguladora do Sector Eléctrico (ERSE), which would be responsible for fixing the tariffs for electricity and supervising the rules of interaction between the public and private sectors.

The privatisation process had immediate consequences for EDP's workers, as some privileges like health care, child care and electricity discounts were cut off. While employees' living standards diminished considerably, it is legitimate to ask if the privileges they enjoyed before privatisation were fair in the first place.

Water

Aguas de Portugal is a national organisation with administrative autonomy. It was created in 1993 and integrates 14 multi-municipal concessionaires of water supply systems and sanitation, and 14 systems of urban solid waste disposal.

It is the second largest Iberian water operator and the eighth largest worldwide, according to the European Water Industry. The main objectives of Aguas de Portugal are management of water resources, promotion and development of the water infrastructure and cooperation with national and international organisations. The company provides basic service for seven million Portuguese consumers (70% of the total population) and for one million people in Brazil, Mozambique, Cape Verde and Timor-Leste, being a partner in projects for the development of water infrastructure in those countries.

In 2001 privatisation of the whole company was suggested. The plan was to begin by privatising 11% of the company in 2002 and 29% in 2003. Recently, the new government chose a different strategy to carry on the privatisation process: only the four profitable companies of the group will be privatised so that the existing public monopoly is not replaced by a private one.

There are some arguments against the privatisation of the profitable companies because it will diminish state revenues. In fact, due to the synergies of this kind of business, the sum of the value of the separate companies is EUR 3 million (USD 2.94 million) less than the value of the whole group. Another argument against privatisation is that currently this public company acts like a «public holding»: the profits of the profitable companies finance the investment of other companies of the group that are in start-up stages. This situation will change with privatisation, and Portugal has some remote and poor regions where significant investments, even if profitless, are necessary.

Moreover, in terms of its development cooperation policy, Portugal is committed to investing in the water supply and management sector in Mozambique, Timor-Leste, Angola, São Tomé and Principe, and the privatisation of Aguas de Portugal puts these commitments at risk.

Conclusion

At the moment there are no consistent data on the impact of privatisation in Portugal. The lack of public debate on the implications for people, especially the most disadvantaged, is a consequence of insufficient information. Politicians who are making important decisions on the terms of the privatisation of basic services, have more incentive to respond to lobbying pressures than to inform their constituents, and public opinion seems almost nonexistent on this issue.

Social protests against privatisation will not happen just because of general harm to society. They will only occur when people feel themselves to be directly affected, through loss of jobs, income or benefits. ■

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1 M. Manuel Marques Leitão and Moreira Vital. «Desintervenção do Estado, Privatização e Regulação dos Serviços Públicos» in *Economia e Perspectiva*, Vol. 2, No. 3/4, pp. 13-157.