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Privatization in Australia and the Western Economies in the 1990'S: Distributional and Political Effects of Accounting and Financial Reporting

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Abstract

This article captures the effects of 1990's privatization two decades later and challenges whether the expected outcomes of Government debt reduction, a change in share ownership, reduced union and government intervention, and improved efficiency have been achieved. It also addresses whether the benefits of achieving such fiscal and political goals outweigh the social costs of a redistribution of wealth away from citizens should be considered. Otherwise financial results of such public sector accounting may raise issues of their justification in terms of non-trivial dimensions. Should public sector accounting standards and financial reports be used to justify government policies for the re-distribution of wealth?

The recent economic turmoil that has focused on ailing economies, company collapses and falling markets brings economic policies into question and this aspect is addressed within the paper together with traditional foundations of financial accounting for recognition of bargained equities among participants.

Keywords: Debt, Privatization, Shareholders, Wealth redistribution

1. Introduction

Prior to the 1990s there were only a few large privatizations in place (Reserve Bank of Australia Bulletin 1997, p.8). The most notable and earliest examples were in the United Kingdom (UK). In the early 1980s there were about fifty privatized public trading enterprises operating in the competitive sector. Other utilities followed as, for example, suppliers of water. According to the organization of economic co-operation and development (OECD), global privatizations totaled about $US30 billion in 1990 alone and by 1997 were expected to exceed $US100 billion.

According to Martin and Parker, (1997, Ch.7), political pressure in the United Kingdom for privatization came from a combination of disillusionment with the results of State ownership and from a belief that private ownership would bring substantial economic benefits. Included in these perceptions were concerns regarding inefficiency, lack of technical innovation, political intervention and union domination. This is not dissimilar to the situation in other western economies such as Australia and New Zealand, where privatization became dominant for state owned enterprises during this period.

The emphasis on privatization of government owned business institutions began in earnest in the 1970's in the United Kingdom for the reduction of public debt. While such macro economic imperatives have not been associated in the accounting literature with modeling the reform of accounting practices there has been a continuing theme from economists. This is that for over four decades that accounting reports should be more useful for inducing the required outcomes of economic policies (Hawkins, 1961). This has gone hand in hand with the claim that annual statements should be useful for economic decision making. These necessarily sit easily with the fundamental accounting requirements for the recognition of bargaining processes and regulatory mandates for equity determination among participants.

One major problem for this economic approach is that practitioners have not joined academic researchers in this full blooded acceptance of these outcomes of economic policies. A second problem is that the reduction of theories in

science to more basic networks (Nagel, 1961, Ch. 11) has not retained its status as a facilitating concept for unification of knowledge formation (Ayala, 1985). It may be that evolutionary development of financial accounting and reporting practice which has developed slowly and painfully since business began to grow with the advancement of science about 1650 when businesses grew in complexity with this expansion of science, is non trivial in its practical execution. In fact practising accountants believe that such practises constitute a strong element of management accountability not to be lost under standardization of practises. Also, business investment by disparate participants could not prosper without such practises because they may have an associated integrity with respect to all co-operating participants. And speaking of execution, King Louis XIV of France promised death as an outcome for all business people who did not comply with his Ordinance of 1673 for accounting and moral control of business under a managements' accountability (Howard, 1932). Treasury officers and other economic modelers and advisors might remember, or learn, that accounting practice has a strong accountability base in relation to ethics and science. While this may have only a passing relationship to economic practices and politics over the past 350 years, it has shown some tendencies to test the usefulness of economic concepts in a practical setting. In recent times economists in government seem to have become absorbed by the concept of "normative accounting" from the 1960's (Chambers, 1966, Edwards and Bell, 1961). This is the process of adding up current market prices or assets and liabilities to get a value for the balance sheet at periods' end. However, accounting and reporting has never been about adding up values or prices in balance sheets without reference to management accountability as a focus for periodic allocations (Littleton, 1953). These are to be determining periodic gain, not value (Dewey, 1922).

This is not seen as cherry picking accounting by unscrupulous manipulators in the private sector. Rather it provides a framework with the appearance of "arms length objectivity" from the preparer of the statements. Littleton (1953) made the point that any economic uniformity of measures stifled away accountability for recognizing existing equities associated with transactions (1953, Ch. 2). It ignored community laws and regulations which is the point to be examined here. Additivity of uniform asset market prices to approximate a whole value of the entity has been a major accounting problem since the seventeenth century and it certainly has been applied to normative accounting (Larson & Schattke, 1966). Littleton (1953, pp.214-5) continues:

"Current prices are momentary and can have accounting significance only to the extent they are made definably relevant to a given enterprise by actual transactions of the company"

What Littleton is implying is that the use of current prices as a communal measure of contributions to the "common good" (Dewey, 1922), will affect rights, obligations and existing equities as community arrangements, management strategies and existing environmental constraints. Under standardization today the preparer may use either historic or current market prices or management value to approximate the value of the entity as a whole in the balance sheet to keep accountability is sharp focus among equity holders of all types. Empirically this process is done by most professional accountants in the private sector who must justify management's assessment of gain with scientific rationality and morality (Aiken & Ardern, 2003). Although the same figure could appear in a specific case, current cost in this setting of providing hard figures to justify a manager's assessment of periodic gain of the whole entity at period's end is of a different genus to incremental adding up of the market price of assets in micro economics to determine whole value. It would be like comparing the genome individual (associations) and the genotype (whole being) in genetics.

Since the mid 1970's there has been an objective to centralize all important government accounting regulations under the umbrella of Treasury and the Department of Finance in Australia. Whole amounts for privatization have no doubt been influenced by these two bodies and "autonomous" managers of the business institutions. There is also evidence in financial statements that asset values and policies from government can vary from period to period by decree. These financial statements can be instrumental in forming a price at sale for the entity as a whole and in informing stock markets in case of a float.

The values recorded at privatization do not indicate over time that recognition has occurred of all equities bargained before or during the period of review. There may be two causative explanations for this:

(1) The greater efficiency of private sector managers taking over the entities as economists would claim.

(2) The doubtful nature of financial statements over the years preceding privatization as professional accountants would claim.

Both are extreme positions but further research areas into the outcomes will be suggested. The results of gains made in the decade after privatization will be identified for privatizations of the 1990's and possible areas for research will be identified.

In more recent times (2008) there has been an economic crisis where across the globe there have been financial collapses and government bail outs to ailing industries and also the need to promote consumer spending in an attempt to kick start the economy (Sikka, 2008). In view of these collapses one might question that had some of these industries

remained under government influence and not been subject to "market" pricing policies that some of the turmoil might not have occurred. Also, deterioration of share values may mean that rebuilding of capacity free government expenditure as the foundation of "give away" economic policies may never occur.

This paper will address each of the key factors of privatization i.e. financial analysis, debt reduction, government /union interference, share value and efficiency.

2. Theory and practice of Financial Reporting

The historic Littleton (1953) traced accounting practice-induced theory back to the early ordinances of the seventeenth century where accountability becomes formalized. This had become necessary with the growth and complexity of business entities with the advancement of science, given the function around 1650 of general economic definition, an attempt was made to generalize the common good. This good is always unique to each entity (Dewey, 1922, p. 210). Accountants accepted production as its focus. This invested cost became the measure of periodic social contribution. This invested cost may be historic cost, current cost or management value, whichever best represents the sacrifice or output of the whole entity. Under such standardization total invested cost for the common good as a qualitative moral issue is deducted from compensation paid by society for the cost outlay (Littleton, 1953, p.95). The remainder is gain or profit. Accountants have established the idea of adding up economic valuation of the firm for over three hundred years. The subjectivity of this procedure has often destroyed the professional awareness of accountants at this level of integrity for justice among all constituents. However when used in conjunction with gain as a "qualified" capital adjustment, some pragmatic use to investors has often evolved.

Gain as a qualitative term which can only be understood by reference to the strategies and environmental conditions which constrain its derivation in each case (Dewey, 1922, p.221). In this context readers may observe three qualities which may be the focus of accounting. These are:

(1) economic decision usefulness

(2) political policy facilitation, and

(3) integrity.

If practice-induced theory is the aim of accounting as a community discipline then the latter can be defined for autonomy in a standards-setting environment (Benston et. al 2007).

Integrity here means changing the equities only in line with actual changes in management's periodic environmental performance, in nature, not in line with compliance requirements for external decision makers or policy facilitation.

Generalization of market prices in balance sheets strips away the specific accountabilities imposed upon managements by Statute, law and traditional practices. These specific accountabilities can influence accounting measures. Thus the accountability structure for professional accounting theory becomes reduced to economic theory as this scientific method is generalized. This provides strong methodology in an irrelevant accountability structure, outside of perfect markets. It strikes out the essential morality of bargaining among a firm's participants. In accounting both measurement and distributional issues are important for equity. For three hundred and fifty years equity has been enforced by statute and regulation together with relevance to management strategies and existing environmental conditions facing each reporting management. Periodic gain is induced at periodic end, financial accounting is not economics and its traditions are to be respected for equity in financial reporting. The opposition to "value" is as follows. In economics the market place is sovereign. Thus the sum of a firm's values when these are assets and there are no liabilities is the sum of the current market price of these assets added together. In financial accounting the value of the firm has been management's value of the whole entity (Canning, 1929, p.319) not the total of assets. Hopefully gain is then being justifiable under skilled auditing and associated guidelines. This is measured by profit for the period which is revenues less costs invested in earning the revenues in the period. A valuation judgment may then be made in practice under standardization allowing historic and current market prices as a management valuation.

The aim where general objectives of the discipline cannot be operationally defined is to hold management accountable for that which it has been accountable in terms of financial growth during the period, while recognizing laws and traditions which lead to the identification of existing equities at that date, not observing market prices to be added up in balance sheets. These laws are evolutionary but have changed only slowly since the French Ordinance first enforced periodic accountability in 1673 (Howard, 1932). Thus, the sum of the asset's current market prices in economics does not equal asset values which add to a management's value of the whole entity in financial accounting. There is an accountability distortion which leads to modified asset values. This is much the same as in evolutionary biology where genes add to the genome, but modified genes (alleles) sum to the genotype or basis for understanding the whole being in its environment. These alleles are like invested costs for determining gain in financial accounting. Thus the addition of the assets in economics (a1 + a2+a3) is not equal to market values for the whole in accounting. That is (a1 + a2+a3) does not equal the sum of (a1, a2, a3) in financial accounting practice. Nor does discounted cash flow since 1650 when

the search for objectivity for large scale enterprises rejected the discounted future values concept (Shwayder, 1967).

The accounting profession is concerned with rather more than the mediation between productive and financial capital and its activities also include the provision of financial statistics. These may be used as a basis for the protection of property rights and ensuring the financial regularity and stewardship of economic agents (Cooper et al, 1989, Ch. 12. p.253.)

Any generalized market measurement system (including historical cost) will not be used outside perfect markets where distortions of measurement are at a minimum. The notion of uniformity for asset measurement has not been used strictly for over 300 years. Accountability in large scale organizations since 1650 could vary dramatically in line with complexities of each firm.

The results of privatization to be shown here indicate that it is management's assessment of the future worth of captive markets for essential services to be delivery which is relevant. The sum of the current net prices of assets and liabilities involved may be inappropriate (Larson & Schattke, 1966) even though such an overall value may appear to be "objective" and more compliant with potential ideologies and the values of governments and Treasury officials. However it is the conjoint credibility given by professional assessments of managerial accountability through laws, statutes, strategies, environmental constraints and agreements in a particular case, together with the justification of methods of inquiry which give financial statements their status. Cooper et al (1989, Ch.12, p.253) identify that the accounting statements produced by accountants legitimate the current mode of economic activity, embodying in their classification of accounts (e.g. what is to be treated as cost, what is seen to be valuable, what is to be treated as internal and external to the enterprise) the existing pattern of wealth and domination in a society, emphasizing the technical rationality of the statistics produced. They also identify (p. 255) that the choice of a specific accounting measure is unlikely to be important in the mediation between the various sectors of the economy or fractions of capital. Most notably they refer to inflation accounting where the State may be concerned with the role of indexation in an inflationary economy, the incidence of taxation, industrial policy and pricing in and performance evaluation of, the nationalized industries as outlined by Robson (1988).

Questions need to be asked as to whether the neo–liberal policies that were adopted have proved to be effective. Since the collapse of the Long Term capital management (LTCM) and its rescue by the US Federal Reserve, it has been acknowledged that derivatives are difficult to value and Nobel Prize winners in economics could not work out the value of such financial instruments (Sikka, 2008). This may mean that other economic strategies and predictions come into question as to their validity, and in particular, the economic theory related to the outcomes from privatization. The pre-privatization predictions about improved efficiencies and economies do not seem to have eventuated (Martin & Parker, 1998, Ch.5) and this supports that questions need to be raised with respect to the economic theories used in ratifying such direction. In the absence of general definitions of purpose to guide general deductive modeling, objectivity in accounting must relate to acceptance or conflict resolution between a bargained rights and obligations of co-operating participants.

Why is economics theory and policy inadequate for directing valuation in financial accounting and reporting statements? The reason, which has been known for half a century (Littleton, 1953, Ijiri, 1971) relates to the inability of scientific processes to reduce accounting theory to economics theory. This reason stands on the foundation that financial accountability is a multi-disciplinary concept, having associations with economics, biology, ecology, management science and political intent with respect to the recognition of legal rights and obligations with a community. All these elements cannot be satisfied by placing an economic valuation into a periodic balance sheet in order to facilitate some economic and political will. Offhand economic mantras that consumers will be better off because of:

(1) transfer to private market places;

(2) use of "taxpayers' monies" for other projects

(3) more efficient environments for staff and for operational processes reducing costs.

These assumptions may be proven true or false at any specific time but in any case are not sufficient for the distortion of practice. This does not permit external valuations to distort financial statements without justification of the valuations at three levels of professionalism. These are

Level 1- Science and biology of operations which as observed under guidelines of practice/nature of the business or management accountability

Level 2- Standardization of professional measurement and related procedures of discovery, and

Level 3- recognition of all significant legal and community standards of human conduct with respect to the rights and obligations of all participants. This conflict resolution for a period or "objectivity" of accounting statements in practice cannot normally be met outside perfect markets by inserting economic or market valuations into balance sheets, especially at times of sale of the business entity.

3. Public Sector Background

In a fast moving world of social and administrative change it seems clear that historians, particularly accounting historians, should examine practices of significance to society. These may appear as big picture items when results become known in terms of a temporal scenario ranging from antiquity to the present. The paradigm of history which supports such a view of progress towards accountability and performance review is identified by Danto:

"Historians have the unique privilege in seeing actions in temporal perspective- the point of history is not to know about actions as witnesses might, but as historians do, in connection with later events as part of a temporal whole (1985, p.183)"

As State owned enterprises are under the influence of elected politicians, priorities can be very different and conflicts may arise as political decisions can be made, that don't support the business emphasis for providing essential services.

As International Accounting standards move towards a cohesion among countries of diverse cultures stretching from China to Europe and the Americas, a measure of solidarity may be emerging between use of connections, laws, rules and practices. Although often metaphysical in selections of choices between historic cost, current cost and management values, there is a tradition in practice going back three hundred years and more about discretionary choice. At that time production may have drawn attention to the "common good" and, given environmental conditions and management planning opportunities, it provided a foundation for the concept of historical cost. Throughout the years accounting practices and standards have attempted to reflect the nature of a reporting business entity by capturing environmental conditions for financial accounting measures and reporting perspectives. This was handled over centuries not by uniformity, but by flexible historic cost measurement in the context of invested periodic costs to be deducted from revenues to identify gains and losses.

Interpreting specifics of the purposes of the business entity as a whole led to a mix of uniformity and flexibility at the margin (Littleton, 1953, Ch.5, pp.54-5). Macro evolutionary features for the entity as a whole are reflected in both the ethics of evolutionary biology (Ayala,1985) and the progress over time of financial accounting and reporting practices under standardization (Zeff, 2005). The key here is that macro evolutionary progress deals with the organization as a whole under its own existing accountability and planning criteria- not those of somebody else. The addition of economic values in balance sheets has been a control of the process not a valuation of the entity in financial accounting.

Accountability evolving through statutory and traditional powers is the discretionary force available to accountants seeking objectivity in the planning function and using interdisciplinary relationships of business conduct within the structure of accounting theory and practice. Normative economics appealed to many individuals with a scientific logical basis in the 1960's. It was emphasizing deduction as against a more inductively derived evolutionary procedure emphasizing observation of the natural world in which accountability prevails. At that time evolution of processes and generally accepted measures of performance were derided by some philosophers (Popper, 1959). Thus because financial statements contained micro economic data, a field of research became established which advocated specifically the use of current market prices to better capture in general terms the essence of a firm's operations (Edwards and Bell, 1961, Chambers, 1966). However, every "common good" produced by entities differs and objectives cannot be defined generally for moral fitness in financial accounting (Dewey, 1922, p. 310). Recognition of bargained equities, to be acknowledged at period's end, to be acknowledged at period's end, is allowed for not in market places and balance sheets, but by association with an environmental common good as a periodic increment to community wealth or progress to be measured within the structure of accounting theory.

The process of the scientific reduction of financial accounting theory to micro economic theory appears to have been recognized in economic policy. However generalization of measures has been rejected for centuries in accounting where conflicts among user needs have rendered current market price reporting impractical (Beaver & Demski, 1979). These authors advocate cost/benefit analysis to prove that accrual accounting benefits the community. Further research will have to take a trial and error inductive basis to determine this if the results here are a guide. They indicate that Public Sector accounting standards using current market prices might rank with the pragmatic use of such prices to destroy fair disclosure in the USA in the 1920's.

Economics bookkeeping has now become useful, particularly in the public sector of some western countries, for inducing and enhancing outcomes of economic policies of politicians and public servants. Public sector accounting practices under such "normative accounting" will be shown here to have permitted transformations of economics bookkeeping standards in countries such as Australia and Britain. The problem is that current market prices take the place of considered valuations based on the accountability of management for the entity as a whole, where objectivity is to be safeguarded by reliance on the whole codification of traditions, practices, rules, conventions and laws, as in the private sector. Value as a whole is a management assessment in conjunction with cost determinations which can have narrowed the scope of this valuation process for centuries. Objectivity in accounting would consider the fact that most business entities are not users of capital supplied by tax payers. History shows government funds for "start up" are

quickly withdrawn by Treasurers. Government as trustees provides loan monies which are paid off by consumers for these assets. Assumptions of government "ownership" are invalid (Aharoni, 1981)

The absence in economics of frictions among moral, ethical, technological and scientific foundations leaves only logic and assumptions to supplement an empirical basis for objectivity. It should be noted that financial statements are not simply part of a micro economics set of procedures for estimating, enhancing and inducing policy goals in line with government policies (Dopuch and Sunder, 1980). Such financial statements need possess at present only a slight resemblance to interdisciplinary based traditions, rules, conventions and laws underlying private sector standards accepted by a society. Choice among alternative values in economics bookkeeping may or may not refer to the firm as a whole, although there is a massive challenge for the additivity of current market prices in this context (Larson & Schattke, 1966). This is necessarily claimed at all times in government to be overshadowed by a host of interrelated economic associations and political aims of cost/benefit reviews to be fully sanctioned by accountants in practice (Guthrie & Parker, 1990). Have auditors-general and contracted public auditors performed such tasks by upholding the integrity of the most exulted reporting icon in business history? Economists can add up market values as they wish, but not within the context of accounting statements which carry the prestige of evolving objectivity to justify the existence of bargained equities.

In this context it may become clear that financial statements can have communication objectives that are ethical in terms of distributions which may flow from their publication under given statutes and regulations. However, economic amounts and ratios will need to be argued to be equitable under given conditions of use when appearing in financial statements. Much of this extra data may need to be available to the public. Also three different professions are involved here being auditing, economics and the law.

This paper will trace distributions of wealth by politicians and economists under privatization. The historical sequence of events, especially since 1990, will then be identified in a manner which is capable of real world scrutiny. The final results indicate that sociological and economic results do not necessarily justify use of accounting reports by economists in the public sector to achieve social and political objectives for change. The ethical and moral basis of interdisciplinary financial accounting standards under flexible accountability has seemingly been breached as has trust and integrity.

Accounting and financial reporting cannot be placed in the hands of technologists outside of the accounting profession. Data showing receipts from selling; or float prices of governments and subsequent securities prices over time have been verified here against the relevant competent authority. The conclusion reached is that no authorities, no matter how powerful, should be allowed to direct the accounting profession. It appears that no public sector accounting standards should exist unless cost/benefits of accrual accounting in government can be moved to induce a community evaluation of gain. Cost/benefits in this distributional context would not value government's economic management highly in this context of conflict resolution as the basis of distributional transparency and ultimately of objectivity.

4. Political Rationale and Historical Factors

4.1 Government Debt

A theme that seems to be generally attached by governments to privatization is reduction of government debt. This becomes extremely attractive where government ownership is emphasized while its essence as a mere legal convenience is hidden. For example, Government is selling assets where its economic, as distinct from legal ownership, may not be justifiable in terms of temporal market history of transactions or actual risk in a traditional accounting context. Suleiman and Waterbury (1990, p.2) supported debt reduction at that time. They suggest that privatization was begun and expanded in response to a crisis that involved heavy public deficits, high inflation, deteriorating trade balances and an inability to meet external debt obligations and ultimatums from public bodies and private creditors. These have been allowed to override legitimate notions of "ownership" under government as trustee for the public, a point often well expressed in the community at large which is aware that government funding not since repaid by consumers as loan redemptions is minimal. In most cases government would have been a guarantor for loans since repaid.

Thus, in addition to the efficiency and effectiveness aspects claimed for privatization, the other factor that has focused the interest by Australian governments is the potential to reduce debt (Department of Treasury 1994). The debts of both State and Federal governments had grown substantially during the 1980s and 1990s. There were a number of options available to reduce debt levels. Debts were incurred from tariff protection policies and support for local industries at the expense of imports. This ultimately would lead to high prices to consumers or, alternatively, higher taxes to help reduce debt. Another option could have been to manage existing funds more effectively. However, this would require long term re-structuring and could take considerable time to achieve. Finally, government could choose to sell public utilities, on behalf of the public, to private entrepreneurs or else raise additional revenues through an increase in the price of goods and services. As mentioned, a key justification must be increased efficiency in order to share benefits. This must actually occur in a democratic system and not simply be postulated as an article of faith if benefits redistribution is not to result in communal or social costs. Centrally, government departments do not "own" financial accounting

professionalism and need to avoid distorting accounting professionalism for their own purpose. This edict can be traced back over three hundred years to the early accounting and reporting ordinances in Europe which followed the breakdown of present value accounting for the whole entity (Howard, 1932). Financial accounting which must conceive changes in equity as morally justified on all occasions cannot be reduced theoretically to economics. There is a moral responsibility in disclosure to recognize changes in participants' equities, not necessarily changes in market asset prices.

All Australian governments (both State and Commonwealth) had been facing a growing debt problem often caused by borrowing programs used to fund government activities (Department of Treasury, State Government of Victoria 1994). The downgrading of their credit ratings has evidenced this issue through financial rating agencies. The state of the economy resulting from this situation, and to a lesser extent the general recessionary period faced by most world economies in the early 1990's, provided an opportunity to take action.

In addressing the first factor of excessive borrowing for essential infrastructure assets leading to perceived inefficiency, two options could be taken. The governments as trustee could (1) corporatize the public utilities, and this had already been done in a number of cases to provide a formal statutory and accounting portrayal of "government ownership". Also (2) government was able to sell off the public utilities to private ownership. There are a number of legal and ethical arguments for and against taking either of these actions. However, this paper will concentrate on identifying results of the privatization option in terms of both equity and efficiency.

Of the available options referred to above, a number of countries appear to have chosen the privatization option. This has been the preferred method as evidenced by the number of privatizations that have taken place in Australia and other countries, particularly the United Kingdom. Again given absence of the specifics of actual origins and continued funding of the services over time, assumptions of true economic government ownership, as in the private sector, could have been unethical or even unconstitutional if put to appropriate tests and debate (Ma & Mathews, 1993). The form of such ownership transactions has, however, been validated through privatization legislation and statutory financial regulations. Is this sufficient for professional recognition?

Australian governments (Federal and States) have embraced privatization as one of the tools to lower their debts and deficits. Privatization gives previously "government-owned" businesses access to sufficient valid ownership capital in private securities markets and can expose monopolies to market competition (Rogers 1993, p.45). The expectation of this strategy was that it would create an investment climate for assisting in reducing unemployment and rapidly growing debt burdens. Governments have thus used the funds derived from selling government owned enterprises to reduce public debt and to improve credit ratings (Public Sector Bulletin 1999, p.11). Whether this is an acceptable reason to debauch the history of the concept of morality in the accounting profession has seemingly not been addressed by senior accountants themselves for their iconic treasure of financial accounting and reporting.

The reduction of Australia's government's debt has been successful. The Australian Government's net debt has been reduced from around $96 billion (19.1% of GDP) in 1995/96 to an estimated $11.5 billion (1.4 % of GDP) in 2005/6 (Refer to Table 1 below). It was also argued that Australia has a much lower level of government net debt than most industrialized countries, including well performing economies such as Canada and New Zealand (Australian Government Budget 2005-6, Budget Overview).

The figures identified in the Australian Government Budget (2005-6) (Appendix F: Historical Government Data) for Net Debt were as follows:

Insert Table 1 here

Given that a number of privatizations occurred in the latter half of the 1990's (Refer Appendix 1) it would be logical that these sales had some impact on lowering debt levels in the period of 1994 to 2000 (refer Table 1 above).

The trend, however, has continued on a downward path and part of the reason for the reduction in debt levels can be attributed to privatization through funds received from the sell off, and lower interest payments in subsequent years given the lower debt levels that needed to be serviced. Other reasons for the lower debt levels could be attributed to a strong economy, high levels of taxation under the mining boom, and, reduced spending on infrastructure. Overseas experience suggests that government economic policies in extreme cases can also become affected by the extent of private sector debts owing to foreign lenders. The issue here is not the wisdom of economic policy, but use of non-transparent accounting reports to achieve such policies and the fairness of their distributional outcomes which must be justifiable in accounting theory for conflict resolution among participants- the traditional focus of objectivity.

4.2 Share ownership

In the privatization process there is a transfer of government ownership to the private sector. Given that most of the privatizations were key infrastructure organizations and utility services this may raise questions as to whether such a strategy has been in the public interest. Foreign ownership of infrastructures and utilities might not always be considered desirable because such owners are often in a position to influence pricing structures and service levels. Also,

the reduced influence of government might mean that the welfare of the general community is not considered fully when making decisions regarding these prices and quality of services. Furthermore, prices to consumers and also bench –marks for sale of privatized companies can be based on dubious current "values" bearing little credibility or justification outside economic objectives (Hay, 1992). Going further on the outcome to be shown here, it is postulated that professional accounting bodies should now divorce themselves from all contacts with public sector economic valuations for financial statements. Traditionally financial accounting has induced the nature of periodic gain not added separate assets to a whole economic entity value.

Nevertheless, the privatization process originally saw an investment boom begin in Australia. For example, the floats of the Commonwealth Bank of Australia (CBA), Commonwealth Serum Laboratories (CSL), Telstra and the betting agencies have resulted in the creation of a significant small share ownership. This increase in investment by small shareholders within Australia has had some positive outcomes. The small investors, some of whom were entering the market for the first time, have done reasonably well with respect to growth of their investments, and this could act as an incentive to future participation by these smaller shareholders. It is acknowledged that governments may have set issue prices below market value as an incentive to participate and to avoid a disaster of an unsuccessful float, which politically, would have been disastrous for the politicians. The world financial crisis will have affected outcomes, but lies outside the duration previously established for the analysis.

Tables 2.1 and 2.2 below identify the performance of privatized companies that were floated on the open securities market given government's analysis for two different timeframes, 1999 and 2006. Whilst the increase in small share ownership was seen as a positive thing, it can be seen by the Table 2-2 that two companies of the seven public floats have since been taken over. The outcome of the aforesaid is that a lot of the share certificates issued to employees and the small shareholder have been transferred to the larger investors and therefore a failure to change the structure of the investment market is evident.

The figures indicate that economics theory and market prices and management values cannot of themselves stand in for a robust ethical interdisciplinary structure of growth and distribution to guide cultural accountability and acceptance of accounting and reporting outcomes.

Insert Table 2.1 and 2.2 here

The two tables above identify the movement of share prices since the float date for two specific time frames, that is, February 1999 and July 2006. In February 1999, it is clearly identified that the share prices of the privatized company saw a substantial increase when compared to the movement of the all ordinaries index, while in 2006 two of these companies have been taken over, or compulsorily acquired, and a further one is currently going through that process. Three of the remaining four entities indicate a similar trend of an increase in excess of the "all industries movement". These trends might cause some unease about the use of professional accounting measures and periodic reports in facilitating privatization negotiations from time to time and particularly for the generation of associated securities prices in the immediate post-privatization period. The overall impact of small shareholder ownership has been minimal, and the significant owners of shares remain with the large shareholders. As referred to above, the small shareholders of two of the seven privatizations identified have already been compulsorily acquired by the large shareholders. Given the performance in Australia of some of the infrastructure companies relating to the transport system, it is reasonable to question whether the government needs to re-acquire control of these organizations.

4.3 Reduced Union Interference

The reduction in union power is one strategy that might lead to reduced disruption of essential services caused by industrial unrest. Whether or not this is good or bad in economic or political terms is an interdisciplinary study for justification when using accounts as a tool of privatization. There seems to have been some deterioration of union power based on lower union membership and fewer strikes post 1990. Privatization had some impact but was not the only factor related to a reduction in union power. Peetz (2002) suggested public opinion on trade unions became antagonistic during the 1940's and 1960's and was linked to anti communism and anti- unionism in general. Union membership also deteriorated sharply in the 1970's due to the number of industrial conflicts. He argued that there was a weakening of sympathy towards unions in general (see also Rawson, 1983) during the 1990's.

The Australian Bureau of Statistics Catalogue 6310.0 Employee Earnings, Benefits and Trade Union Membership, Australia (2004), identifies levels of union membership between 1980 and 2004 as follows:

In August 1999, 26% of Australia's employees aged 15 and over were trade union members in their main job. This continued the steady decline in trade union membership from 46% in 1986.

Cranston (2000) indicated that at this point in time the Australian trade union movement was at its lowest level since official recordings began.

In August 2001, 25% of Australia's employees aged 15 and over were trade union members in their main job. This indicated that the decline was continuing. In the following three years to 2004 where the last official recording of numbers (25%) has taken place, it shows that membership numbers have remained stable.

The Australian Bureau of Statistics (2004) "Australian Labour Markets Statistics" suggested that part of the decline in union membership was due to changes in the composition of the labour market where job growth was in areas where union membership was traditionally low. Conversely there had been a decline in jobs in industries that were traditionally unionised. In these statistics, the unionisation rate for the electricity, gas and water supply dropped from 71.5% in 1993 to 53.7% in 2003. For communication services the drop in unionism was from 73.8% in 1993 to 31.2% in 2003. These are industries that were prominent in privatization.

In conclusion for this section it can at least be assumed that privatization has been one of the factors that led to a reduction in union influence because union membership in the industries that were privatised has reduced significantly. The public sector membership still remains strong and, if certain industries had not been privatised e.g. electricity, gas water and communication services then union membership might be higher. The Australian Socialist Coalition (2000) headed a campaign by all unions and the ACTU against any further privatization. Whether or not "accounting" measures in financial statements leading to privatization ought to be confused by political issues requires social analysis as well as dexterity in accounting practice. Of course, the nature of equity in the context of co-operating participants in the public sector needs to be determined and agreed before the prestige associated with the objectivity of the traditional reporting icon can be assumed.

4.4 Intergenerational Assets

In deregulating financial, transportation and other services, when privatising or partially privatising public enterprises, Australian governments were originally aiming towards greater efficiency (Thomas, 1992, p.12). Although this was often a matter of faith in the market it was sincere at that time. As early as 1986, privatization was identified as a required strategy for the airline industry in Australia. Kirby (1996, pp. 339-352) identified six policy options to introduce economies of scale to the airlines. One of those policies was to privatise the government-operated Trans-Australian Airlines (TAA).

However these examples raised questions about whether privatization was a positive step. These questions asked whether the ownership of assets really determines how they perform for diverse equity holders. Is there any logic to the structural expansion and contraction of the public sector? Do the origins of the public sector shape the way in which organizations are to be re-structured or liquidated? Is the reform process driven by responses to domestic considerations and pressures from creditors and also from international monitoring pressures? Once underway, do policies promoting market activities become omniscient with respect to the interests of widespread citizens, or the "economic owners" indirectly of the service infrastructure. This is where valuable consideration has already been exchanged once for debt reduction through write offs of loans by consumers. That is, do past generations of consumers and investors fade from consciousness in references about present day interests, with the government as originally a trustee now being the sole beneficiary from past agreements and activities? Are all longer-term interests to be generalized as public interests in government? This can be only if the direction of public benefits, become known. Public benefits cannot be generalized by economists, as in a vacuum (Dewey, 1922). Issues of accountability for the use of public funds must be identified for specific beneficiaries if accounting and financial statements are to be used as instruments of privatization.

Equity foundations of the Westminster systems now come into play. While managers of organizations may be seen to be an agent, governments are not principals. The principal is that set of rights and obligations in the community which can be historically justified for valuable consideration and which comes into the jurisdiction of parliament and the courts. Parliament is the surrogate principal and government the trustee for these rights and obligations (Aharoni, 1981). Thus particularly in cases where valuable consideration has been given or received as evidence of valuation, government as trustee may not unilaterally vary community rights to discharge its own obligations unless something of value is given and there is parliamentary debate (Ma and Mathews, 1993). In this case it could be about general benefits to the community from increased efficiency (Aharoni, 1981). The proceeds of privatization in Australia totaled $A61 billion between 1990 and 1998. However, Table 2.2 shows a massive redistribution to private sector shareholder interests in subsequent years.

With respect to the efficiencies of public and private ownership, Suleiman and Waterbury (1990, p.5) suggest that there is no definitive proof that publicly owned firms are by definition less competitive and less efficient than those which are privately owned. Those authors do refer to the property rights school of thought. This argues that ownership matters a great deal for the performance of the firm and that privately owned assets are used to maximize financial returns to their owners whereas public ownership is uneven for efficiency. Assets are used more economically and efficiently than those which are publicly owned. To support this argument suggesting that private firms are more efficient, Hanke (1987, p.49) claims:

"The consequences of public ownership are thus predictable. Public managers and employers allocate resources (assets) that do not belong to them. Hence they do not bear the costs of their decision; nor do they gain from efficient behavior. Since the nominal owners of public enterprises, the taxpayers, do not have strong incentives to monitor the performance of public employees, the costs of shirking are relatively low. Public employees therefore commonly seek job-related perquisites which increase production costs and divert attention from serving consumer demands".

It has been shown that taxpayers' funds as distinct from government guarantees have not been used for government businesses. Issues of equity and self motivations from social psychology (Dewey, 1922) may be more here than standardized assumptions from economics.

4.5 Efficiency

A study in the United Kingdom on water privatizations (Shaoul 1997, p. 402) found that the expectations of government in respect to privatization were not achieved. In that study she made the point that the financial evidence refutes the assertions about the effectiveness of private ownership in controlling costs. Also, doubts are cast on the tacit assumption about public sector inefficiency and revised questions were asked about the ability of management to endlessly increase efficiency. Finally, Shaoul's study refuted the notion of the "Stakeholder's economy" from which all can benefit. She showed empirically that the stakeholders are continuously in conflict. As mentioned before, that is why transparency for conflict resolution is the essence of objectivity in accounting (Littleton, 1953, Ch.2).

Bishop and Kay (1988, p.69) also found that service quality in privatized industries had fallen. Social objectives had received a lesser role but this was not entirely because of the failure of privatization. These authors argued that quality in the public sector had typically been too high, the result of management being tied to technology rather than to profit. The social role of those companies had been overstated. The changes represented a move towards an optimal balance between price and quality.

Parker (1995, p.44) indicated that empirical research into the results of privatization in the United Kingdom has painted a mixed picture. He suggests that this research indicates that privatization has not always led to higher efficiency.

Existing studies in the literature on the ownership/efficiency issue of private and public utilities do not support the theoretical argument made by public-choice theorists that privately owned firms are more efficient than publicly owned firms (Bhattacharyya et al 1994, p. 197). It was also pointed out that this finding was consistent with Feigenbaum and Teeples (1983) and Atkinson and Halvorsen (1986).

Bhattacharyya et al (1994, p. 206) concluded that contrary to the widely held view of the public choice, or property rights, model that private enterprises are more efficient than public enterprises, their empirical findings provide the evidence that private water utilities in their sample of study were less efficient than public water utilities both technically and in the use of variable inputs of labor, energy, and materials.

Suleiman and Waterbury (1990, p.7) suggested that economists would argue that the structure of markets and of economic ownership are more important than legal designations of the property rights involved. Sappington and Stiglitz (1987) have suggested that the risks of ownership might ultimately be as widely diffused with shareholders as with taxpayers in public sector entities. Again economists appear to have difficulty in thinking through the position of "taxpayers" in the setting of economics bookkeeping.

Despite these arguments there is evidence to suggest that privatization has improved market performance of previous government-owned enterprises (Kikeri et al 1992, p.3). A World Bank study involving Chile, Malaysia, Mexico and the United Kingdom analyzed twelve cases of privatization. In those cases domestic welfare was improved as a distributional issue. Of the twelve cases, productivity went up in nine instances and showed no decline in the other three. It was also indicated that studies and data from outside the World Bank also showed that privatized companies grew more rapidly and were better able to contain their costs than they had been able to do before privatization. However, the studies acknowledged that most privatization success stories came from higher middle-income countries. Also such successes showed economic productivity and consumer welfare to be interacting with the overall macro-economic policy framework. However whether such economic benefits can be compared with social costs of selling bargained benefits of the citizen's valuable consideration over time remains an interdisciplinary issue.

The intangibility of organizational functioning rather than current or historic market prices must now become the guide to both public and private sector valuations in the post- Enron era (Kaplan and Norton, 2004, Ch. 7). Accountants in practice for over 300 years have observed manager actions with respect to transactions and planning. These have also been the primary sanction under standardization for selecting objective accounting numbers which guard against non-transparent redistributions of wealth (Littleton, 1953, Chs.2& 12). This reference to community sanctions may now be impossible in the public sector in Australia. Only a full detachment of accountants from economics bookkeeping can afford a measure of relief and protection to the general public's involvement in wealth transfers by governments and their economic advisors. This spirit of protection has come from early accounting ordinances since 1673 in Europe (Howard, 1932).

5. Conclusion

In the introduction some of the key economic outcomes of privatization have been challenged and issues such as debt reduction, share ownership, efficiencies expected from privatization and reduction of political and union interference and justification for the sale of intergenerational assets were discussed with regard to realized benefits. Also, the equating of government "ownership" with the issuing of a guarantee as a formal legal requirement for starting an essential service was examined.

The issue of debt reduction is quite clear and funds from privatization sales have gone a long way in reducing debt within government. Union and government intervention has also reduced however the benefits of this do not seem to be substantial, particularly when considering the expected efficiencies that would eventuate and the massive redistribution of wealth to the private sector.

During the 1990s in Australia a significant portion of its public sector entities "owned" by both State and Commonwealth governments as constitutional structures were privatized. According to the Reserve Bank of Australia Bulletin (December 1997, p.7), Australia has had one of the largest programs among the OECD countries. It was behind only the UK and, relative to Gross Domestic Product, New Zealand.

Table 2 shows that the results of sales may have been mixed in terms of sales at privatization representing value for money to previous equity holders. However there is evidence to suggest that employee ownership and the small shareholders enticed into buying shares have handed back those shares to the larger investors. With the government as trustee rather than principal, wealth changes over a decade are shown here to have been extreme and might provide a caution against using tools of accounting professionalism to facilitate government policy which seems to make use of prestigious financial statements of accounting in a way which transgresses against their interdisciplinary needs for objectivity.

The issue in financial accounting and reporting since the first ordinance appeared with the expansion in complexity of business and its size under scientific progress after 1650 has been twofold:

(1) How to capture the specific accountability of the reporting management in terms of statute, law strategy and environmental constraints , and

(2) How to promote sufficient uniformity of measurement for understanding, but not too much so as to destroy the expertise inherent in management's accountability in the case.

Full uniformity destroys specific accountabilities, especially obligations to associated equity holders. Full uniformity as generalized use of market prices is economics, not accounting and public sector accounting standards with this trait should be abolished.

For over three hundred years accountants and business men have struggled to provide credibility in periodic reports with rewards from investment funds to flow among participants. The economic benefits from privatization may have been immense. However given results here, financial statements might have been vilified in the process. International accounting standards must be complied with when such statements are to be used to justify privatization. The benefits and costs of the economic outcomes are beside the point. The distribution of wealth from using financial statements to support privatization over the years amount to billions of dollars for buyers. Whether the economic benefits to the community might have been robust or meager, this situation of the use of financial statements is not acceptable and distorts the fundamental moral precept of objectivity in accounting, being transparency for conflict resolution.

Economics bookkeeping and normative accounting came into being when micro economists thought they were comparing uniform current market prices with uniform historic market prices frozen in time (Canning, 1929, Edwards and Bell, 1961). However for over three hundred years historic cost as a convention had been used in connectedness with management accountability which provided for flexibility and relevance in practice (Ijiri, 1971). Economics bookkeeping is yesterday's technology in financial accounting for two primary reasons:

1). Uniform historical cost applied in accounting practice for almost three decades after 1929 but was then again abandoned for ethical reasons because accountability, not market prices, has been the conduit for fair treatment of equities for three hundred years, and

2). Use of financial statements to achieve policy objectives of outsiders in breach of this principle of accounting as here demonstrated, is arguably unethical.

A key reason for privatizing was the fact that there were expectations that efficiencies would eventuate. However there is clear evidence that this has not generally been the case and the research studies referred to have suggested there has been little or in some cases less efficiency since the organization was transferred from public to private ownership. Efficiency increments could not be compared with social costs demonstrated as the redistribution of wealth.

There has been less political and union interference post privatization but as the economy slips into a recessionary

period one might question whether it would have been better to have political/union interference than incur the social costs indicated including lack of essential services as the economy declines under recessionary gloom. Also, the outcomes have shown that economic valuations not referenced to social controls are not robust enough generally for the protection of the rights of all contributors to enterprise decision and action.

Periodic gain has been induced by professional accountants scientifically for over three hundred years. The process has involved a focus given by the interaction of market based transactions, accountability criteria provided by management strategies, community regulations and specific environmental constraints on periodic operations. These identify the scope of invested costs by the whole organization towards its interpretation of its own contribution to the "common good" (Dewey, 1922). The total of such costs in then deducted from total revenues as community compensation (Littleton, 1953, p.95) to reveal periodic gain or loss. Whether current market prices of assets give a value for the entity as a whole is an economics question which depends on the free efficiency of the markets involved (Beaver & Demski, 1979). However this is an issue which has failed cost/benefit analyses for using accrual accounting in the public sector.

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Table 1. Net Debt Australian Government

Year	**$ Million**	**Year**	**$ Million**
1990	16,121	1999	70,402
1991	16,936	2000	53,768
1992	31,132	2001	42,651
1993	55,218	2002	38,024
1994	70,223	2003	29,665
1995	83,492	2004	23,421
1996	95,831	2005	11,534
1997	96,261	2006(est)	-1,327
1998	82,935		

Table 2-1. Government Organisations Sale by Float 1999

Company	Year Flotation	Float Price $	Feb 1999 Price	% Increase since sold	% B. All Ord Index Movement
CBA	1991 1993 1996	5.40 9.35 10.01	24.00 24.00 24.00	344 157 140	72 67 28
CSL	1994	2.30	14.80	543	47
TABCORP	1994	2.25	14.50	544	47
TELSTRA	1997	3.30 A	8.88	169	24
QANTAS	1995	2.25	3.70	65	31
TAB (NSW)	1998	2.05	3.39	65	-1
UNITED ENERGY	1998	2.30	1.80	-22	-1

A. Original Float Price $1.95 + Call $1.35 = $3.30

Source: Company websites and Australian Stock Exchange (ASX) Trading Room Website.

Table 2-2. Government Organisations Sale by Float- 2006

Company	Year Flotation	Float Price $	July 2006	% Increase since sold	% B. All Ord Index Movement Since float year
CBA	1991 1993 1996	5.40 9.35 10.01	44.41 44.41 44.41	722 375 344	220 211 138
CSL	1994	2.30	53.75	1367	173
TABCORP	1994	2.25	15.20	631	173
TELSTRA	1997	3.30 A	3.68	52	131
QANTAS	1995	2.25	2.96	49	144
TAB (NSW)	1998	2.05	Taken Over		
UNITED ENERGY	1998	2.30	Shares now acquired by scheme of arrangement		

A. Original Float Price $1.95 + Call $1.35 = $3.30

B. Australian All Ordinaries Index July (ASX) and the movement between Float date and 2006

Index							
1991	1573.9	1998	2735.1	2005	4229.9		
1992	1572.3	1999	2704.6	2006	5033.4		
1993	1617.7	2000	3322.7				
1994	1844.0	2001	3425.3				
1995	2061.5	2002	3163.2				
1996	2116.1	2003	2999.7				
1997	2180.3	2004	3530.3				

Source: Company websites and Australian Stock Exchange (ASX) Trading Room Website.

Appendix 1: Privatizations in Australia Since 1990 (a)

	Proceeds $ million	Type of Sale	Financial Year of Privatization
Commonwealth Government	**Proceeds $ million**	**Type of Sale**	**Financial Year of Privatization**
Aerospace Technologies of Australia	40	trade sale	94/95
Australian Industry Development Corporation	25	public float	89/90
Australian Industry Development Corporation	200	trade sale	97/98
AUSSAT	504	trade sale	91/92
Australian Airlines	400	trade sale	92/93
Australian National (rail)	95	trade sale	97/98
Avalon Airport Geelong	1.5	trade sale	96/97
Brisbane Airport	1,387	trade sale	97/98
Commonwealth Serum Laboratories	299	public float	93/94
Commonwealth bank (b)	1.311	public float	91/92
Commonwealth Bank	1.686	public float	93/94
Commonwealth Bank	3,390	public float	96/97
Commonwealth Bank	1,770	public float	97/98
Commonwealth Funds Management	63	trade sale	96/97
Melbourne Airport	1,307	trade sale	97/98
Moomba-Sydney Pipeline	534	trade sale	93/94
Perth Airport	643	trade sale	97/98
Qantas	665	trade sale	92/93
Qantas	1,450	public float	95/96
Snowy Mountains Engineering Corporation (c)	1	trade sale	93/94
Snowy Mountains Engineering Corporation (c)	0.3	trade sale	94/95
Snowy Mountains Engineering Corporation (c)	0.3	trade sale	95/96
Telstra	14,330	public float	97/98
Total Commonwealth	**30,102**		
State Governments			
New South Wales			
Axiom Funds Management	240	trade sale	96/97
Government Insurance Office	1 260	public float	92/93
NSW Grain Corporation	96	trade sale	93/94
NSW Investment Corporation	60	trade sale	89/90
State Bank of NSW	527	trade sale	94/95
Total New South Wales	**2,183**		
Victoria			
Electricity Industry-			

Citipower	1575	trade sale	95/96
Eastern Energy	2080	trade sale	95/96
Hazelwood/Energy Brix	2400	trade sale	96/97
Loy Yang A	4746	trade sale	96/97
Loy Yang B	544	trade sale	92/93
Loy Yang B(d)	1.150	trade sale	97/98
Powercor	2.150	trade sale	95/96
PowerNet	2.555	trade sale	97/98
Solaris	950	trade sale	95/96
Southern Hydro	391	trade sale	97/98
United Energy	1,553	trade sale	95/96
Yallourn Energy	2,428	trade sale	95/96
Other:			
BASS (Ticket sales)	3	trade sale	94/95
GFE (Gas & Fuel Exploration) Resources	56	trade sale	95/96
Grain Elevators Board	52	trade sale	94/95
Heatane Division of Gas & Fuel Corporation	130	trade sale	92/93
Port of GeeIong	51	trade sale	95/96
Port of Portland	30	trade sale	95/96
Portland Smelter Unit Trust	171	trade sale	92/93
State Insurance Office	125	trade sale	92/93
TABCORP	609	public float	94/95
Total Victoria	**23,749**		
Queensland			
Gladstone Power Station	750	trade sale	93/94
State Gas Pipeline	163	trade sale	96/97
Suncorp/Qld Industry Development Corp. (e)	698	trade sale	96/97
Suncorp-Metway Ltd. (e)	610	public float	97/98
Total Queensland	**2,220**		
South Australia			
Austrust Trustees	4.4	trade sale	94/95
Enterprise Investments	38	trade sale	94/95
Forwood Products (Timber)	123	trade sale	95/96
Island Seaway	2	trade sale	94/95
Pipeline Authority of SA	304	trade sale	94/95
Port Bulk Handling Facilities	1.8	trade sale	97/98
Radio 5AA	8	trade sale	96/97
SA Financing Trust	5	trade sale	93/94
SAGASCO	29	trade sale	92/93
SAGASCO	417	trade sale	93/94

SAMCOR (meatworks)	5	trade sale	96/97
Sign Services	0.2	trade sale	95/96
State Government Insurance Commission	175	trade sale	95/96
State Bank of SA	10	trade sale	94/95
State Bank of SA	720	trade sale	95/96
State Chemistry Laboratories	0.3	trade sale	95/96
State Clothing Corporation	1.4	trade sale	95/96
Total South Australia	**1,899**		
Western Australia			
Bank West			
	900	trade sale	95/96
Health Care			
	9	trade sale	96/97
State Government Insurance Office			
	165	public float	93/94
Total Western Australia	**1074**		
Tasmania			
State Insurance Office			
	42	trade sale	93/94
Total Tasmania	**42**		
Total State Governments	**31,166**		
Total All Governments	**61,269**		
memo items,			
Total trade sales	**34,364**		
Total public Floats	**26,905**		

(a) Privatization is defined here as the sale of public trading enterprises and does not include asset sales such as of buildings or plant and equipment.

(b) The sale of the first tranche of the Commonwealth Bank was an initial public offering by the Commonwealth Bank to raise capital. The proceeds of $1.3 billion were received by the Commonwealth Bank to part fund the purchase of State Bank of Victoria, from the Victorian Government for a total of $ 1.6 billion. The sale of the State Bank of Victoria to the Commonwealth Bank is not included above in the list of privatizations of the Victorian Government.

(c) Management buyout.

(d) Includes franchise, license fees etc.

(e) Suncorp and the Queensland Industry Development Corporation were wholly owned by the Queensland Government. These businesses were merged with Metway Bank Limited on 1 December 1996. Consideration received by the Queensland Government for contributing these businesses to the merger comprised $698 million and 142.8 million shares in Metway Bank Limited. Subsequently the Government sold down part of its share holding for $6 1 0 million, to be received in two installments in 1997/98 and 1998/99. A

SOURCE: RESERVE BANK OF AUSTRALIA BULLETIN DECEMBER 1997