Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

**Resolution 953 (1990)**[1]

# Privatisation - Reward and problems

Parliamentary Assembly

1. Over the past decade in particular, the large majority of Council of Europe member states have engaged in considerable privatisation, by which is meant the partial or total transfer of ownership and control of resources or activities from the public to the private sector.

2. This development contrasts sharply with the situation in the preceding decades, when most governments greatly expanded their role in producing goods and services - arguing that this was necessary for reasons of national security, to ensure essential public services, to reallocate resources to industries or social groups in need, to achieve social justice or to permit valuable, long-term investment in areas of limited interest to private enterprise.

3. Today's privatisations are undertaken using arguments such as the need to raise productivity, lower prices, allocate scarce resources more efficiently throughout society, reduce state budgets in the caseof loss-making public activities, generate revenues from their sale, cut the public payroll, or, in some countries, diminish the power of public sector trade unions thought to abuse monopoly privileges.

4. Privatisation today constitutes an irrefutable trend, as governments all over the world try to maintain their economic position in a climate of ever-intensifying international competition, and more and more globalised trade and financial operations.

5. Furthermore, the privatisation strenuously undertaken in industrialised countries in recent years has faced most developing countries and centrally-planned economies with the choice of either following the same path or risking lagging irreparably behind in economic growth and trade competitiveness, thus paving the way for the current near-universal abandonment of Marxism and state dirigisme.

6. On the other hand, there seems to be general agreement that some societal services should not be privatised.

7. Many Council of Europe member states in the 1990s are faced with difficult choices, as privatisation may be contemplated for state monopolies so far considered ‘‘natural", such as electricity generation, gas production, certain other basic industries, radio and television, national airline carriers, telecommunications, fire protection, postal services, day-care centres, higher education, transportation, building and road maintenance.

8. Similarly difficult choices concern the methods of privatisation, for instance the question of whether and how shares of a government corporation or agency are to be sold to the public or, as the case may be, reserved for its employees, or whether the ‘‘contracting out" of services to private interests is preferable.

9. A final set of choices concern national economic interests considered to be vital (for example, telecommunications), national security (for example, military aircraft and armaments) or the economic survival of certain regions dependent on state-owned industry (for example, coal, iron or steel production).

1. Assembly debate on 3 October 1990 (17th Sitting) (see Doc. 6274, report of the Committee on Economic Affairs and Development, Rapporteur : Mrs af Ugglas). Text adopted by the Assembly on 3 October 1990 (17th Sitting).

10. The Assembly, on the basis of the above, calls on Council of Europe member states to found their future privatisation policies on the following principles :

10.1. It should be ensured that the consumer benefits from a given privatisation in the form of a wider choice between better and less costly products or services.

10.2. For a privatisation to be undertaken, it must lead to savings in government expenditure, and it should be more efficient in meeting the social and other objectives associated with the system it replaces.

10.3. Every measure should be taken to ensure that those negatively affected by privatisation, for instance through unemployment, are given priority as regards alternative employment or receive training and education allowing them to share in the net gain in economic activity, and hence the employment which is likely to result from privatisation over a period of time, in the sector concerned and in society as a whole.

10.4. Privatisation should lead to a spreading, not a narrowing, of ownership among the population, and it must not result in the replacement of a public monopoly with a private one.

10.5. The overall economic benefits of privatisation must, in certain cases, be weighed against vital social and national considerations, involving for instance the protection of specially vulnerable social groups or regions, or the continued national control over certain resources.

11. Finally, the Assembly encourages Council of Europe member states :

11.1. to share their experiences on privatisation with the reformist countries in Central and Eastern Europe, thus facilitating their abandonment of state ownership of the economy ;

11.2. to work in favour of privatisation along the above-mentioned principles in the many developing countries whose economic and social development is hampered by an excessive public sector, building also on the positive experiences gained in this regard in a number of developing nations.