



Business Environment

Privatisation and Nationalisation

Today

- ▶ Analyse the advantages and disadvantages of privatisation and nationalisation
- ▶ Explain and evaluate the nature of public/private partnerships and private finance initiatives (PFI)



Public or Private Sector?

- ▶ Private sector – businesses owned and controlled by individuals or groups for profit.
- ▶ Public sector – organisations accountable to and controlled by central or local government – any profit made goes back into the public sector

The Army	Parkside Primary School	Barclays Bank	Birmingham Central Library
Sainsbury's Supermarkets	The BBC	The Bank of England	Boon Healthcare
The National Health Service	British Gas	Thomas Cook	The ITV Network



Privatisation

Read the information on pages 29-30 (including Pakistan Steel and South African Airways) and...

1. Define the term 'privatisation'
2. Identify 3 advantages and 3 disadvantages of privatisation in general



Nationalisation

Where the Government takes over a failing or inefficient business, using its substantial funds to protect stakeholder interests.

Is this fair on the competitors of struggling businesses? Cost to tax payer?



Nationalisation overseas

US government rescues insurer AIG

The US Federal Reserve has announced an \$85bn (£48bn) rescue package for AIG, the country's biggest insurance company, to save it from bankruptcy.



AIG will get an \$85bn loan, in return for an 80% public stake in the firm.

The rescue follows the collapse of US investment giant Lehman Brothers, which caused share prices to plummet across the world's financial markets.

The global financial crisis

General Motors emerges from bankruptcy after 40 days

"Businesses are usually over at GM," said CEO Fritz Henderson

General Motors in Detroit
 2009/09/01 14:28:00
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The General Motors Renaissance Centre headquarters building in Detroit, Michigan

Bolivia nationalises energy firm

By Charles Scanlon
 BBC News

Bolivia's government has seized control of a foreign-owned energy company two days before the country votes on a proposed new constitution.

President Evo Morales flew to a natural gas field in central Bolivia to order the immediate nationalisation of Chaco energy company.

He said the country was taking back control of the natural resources "bit by bit".

Troops earlier occupied all the company's offices and installations.



Mr Morales has taken over several companies since taking power in 2005

Venezuela in bank nationalisation

Venezuela has nationalised its third largest lender, Banco de Venezuela, after agreeing to pay \$1.85bn (£660m) to Spanish owner Banco Santander.

The move follows months of negotiations between the government and Santander over how much Caracas would pay.

Venezuelan Vice-President Ramon Carrizalez said the move would allow the government to assert greater state control over the economy.



Nationalisation is a major policy of Hugo Chavez

Private-Public Partnerships

Government services or business ventures that are funded and managed through a partnership of government and one or more private-sector companies.



Government funded PPPs

Gov. provides all or part of the funding

Management of the organisation will be done by private sector methods and techniques to control it as efficiently as possible



Hope Clinic Lukuli in Uganda received funding for malaria prevention and HIV-testing services, but all run by this private-sector clinic.



Private Financed Initiatives (PFI)

Government or state managed, but private sector owned.

Reduces government financial burden, but is it fair on the tax payer?

Who's Getting Rich on your Money?

DURATION: 30 MINUTES

As Government spending cuts bite, one group of businessmen know they will keep making vast profits from our taxes while getting us ever deeper into debt. Since 1997 almost every new school and hospital in the UK has been built by private companies who lease them back to the government. But what's in it for the taxpayer?

John Ware investigates the inflexible terms and conditions of what has become the government's flexible friend - the Private Finance Initiative - a kind of ministerial credit card which racks up huge public debts without showing on the nation's balance sheet. He uncovers evidence of how government claims that PFI gives taxpayers value for money have been manipulated.

And he asks why the coalition government signed so many PFI deals when in opposition both the prime minister and his deputy branded them as 'dodgy accounting'. © SUOMI LESS

