



The Canada UK Colloquia

**Privatisation and  
Deregulation in Canada  
and Britain**

Gleneagles, Scotland  
November 1987

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Participants  
Preface**

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# Preface and Acknowledgements

The Canada – UK Colloquium, of which this book is a record, is now an annual event, alternating between the two countries. The Colloquium, at which the majority of the chapters contained in this volume were presented, was held at Gleneagles, Scotland in November 1987. The passage of time has allowed for the updating of most of the papers and the addition of one chapter – that by James Mitchell on *Privatisation as Myth?* in place of David Heald's overview paper, which was unavailable for this publication,

The topic, privatisation and deregulation, was chosen because of its major importance within the Canadian and British economies in the 1980s. Indeed, privatisation and deregulation have now reached global proportions with the concepts having been adopted in both developed and developing countries and even in the Eastern bloc, as the grip of Communism is relaxed.

Despite the almost universal adoption, in Western democracies, of one or both concepts, there is still considerable political and academic controversy over both the merits and the actual implementation of the concepts. This diversity of view is, consciously, reflected in the varied contributions to the Colloquium. For example, the two British overview chapters, by Grimstone and Mitchell, present rather contrasting analyses of the benefits of privatisation. Privatisation and deregulation may be



dominating 'policy fashions', but there is by no means universal agreement on the desirability or execution of this fashion.

Although widespread in their adoption, privatisation and deregulation are somewhat elusive concepts, supported by varying motives. For example, privatisation, even in Britain, seems to have been in large part motivated by simple financial considerations, in that large sums of money were raised for the Exchequer by privatisation. Only as the process continued did more fundamental issues relating to competition arise. Thus we now see (1989) the British Government facing increasing difficulties as the importance of introducing more competition is higher on the political agenda and as other policy considerations – e.g. environmental problems – impinge upon the process. Moreover, as the privatisation process is extended to more difficult industries – such as water and electricity – policy-makers are having to be much more inventive in formulating viable policies. For example, the whole question of the place of the nuclear industry within the privatised sector proved to be so difficult that it had to be retained in the public sector. Similarly, deregulation is not quite as simple as it at first seems. Often deregulation is, in reality, **reregulation** and raises quite difficult policy questions in terms of the structure of regulatory agencies and the design of regulatory regimes. Roy Croft's chapter on the SIB is a good illustration of the increased complexity of regulation when deregulation is attempted and of the continuing dynamic nature of the process, once begun, and of the continuing need for **policy-makers** to bargain with the affected interests if successful implementation is to result. In fact the process of introducing effective competition, notwithstanding deregulation, can be a long drawn-out one. For example, in Britain, it has taken seven years for serious competition to British Gas to emerge.

Of particular significance is the strength of non-governmental actors in the processes leading to privatisation and/or deregulation and in the subsequent regulatory process. As Jill Bodkin notes in her chapter, the holding companies and firms were ingeniously moving ahead of the regulators. This suggests that one important characteristic of the **process** by which privatisation and deregulation has been brought about is that it has been one of consultation and bargaining. Even although the policy changes have in some sense been very radical, policy-making and implementing traditions have generally been adhered to. Again, to quote Jill Bodkin, '..... in the Canadian tradition of accommodation, governments were trying to satisfy diverse interests'. In the British case, virtually all privatisations have taken place in the context of carefully constructed coalitions of interests, without any significant interest failing to gain important concessions. The construction of these pro-privatisation coalitions has undoubtedly influenced the nature of the post-privatisation

structures and has almost certainly been an important factor in preventing or delaying the development of truly competitive environments. It has often taken subsequent actions by regulatory agencies to introduce competition, suggesting that 'capture' has not yet been a significant phenomenon.

That there should be variations in the form and practice of privatisation and deregulation – especially in comparative terms, say, between the unitary and federal systems discussed in the Colloquium is unsurprising. In many ways governments are on a 'learning curve of radicalism' and we should not expect that the results of privatisation and deregulation should be without problems. After all, it took many years for the state to develop forms of public ownership and forms of regulation and it will take a similar period for governments – both national and provincial – to 'fine tune' their privatisation and deregulation policies. There is little doubt that much needs to be done to address some of the quite fundamental problems associated with privatisation in its many forms, and to ensure that the benefits of deregulation in the long run really do outweigh the costs. Many of the chapters in this volume provide much cause for concern for governments, if these policies are to be really successful in either reducing costs or improving services, or hopefully, in achieving both. Thus it is true to say that we are in the midst of the creation of a new 'industry' of privatising, deregulating and reregulating. It is to be hoped that this volume, bringing together some observers who are obviously enthusiasts for the process and others who are more sceptical, will contribute to our understanding of the complexities – and of the benefits and disbenefits – as governments come to grips with a policy fashion which is as yet rather in its infancy. Having discovered that privatisation and deregulation is at least achievable, when ten years ago it was almost unthinkable, it is clear that governments need to put much more analytical capability into devising more sophisticated delivery systems if the public interest is to be safeguarded. As this volume demonstrates, privatisation and deregulation can take place across a wide variety of policy areas and is a *relatively* easy process. Much more difficult is to devise a set of structures, processes and rules which ensure that there are long term gains to consumers as well as to producers. No doubt the Canada – UK Colloquium will return to these important questions on a future occasion!

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The usual disclaimer is of course necessary, namely, that the views expressed are the sole responsibility of the authors.

J J Richardson, Colloquium Convener  
University of Strathclyde, Glasgow, October 1989.