Privatization: P3 SIB ASD.... HUH?!

Privatization has many names. This guide cuts through the language that privatization promoters hide behind, to show what's really at stake for our public services. It also lists some of the key privatization pushers, as well as the processes that governments and employers use to pave the way for privatization.

CUPE

P3

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WHAT IS PRIVATIZATION?

Privatization broadly means the transfer of services, functions and responsibilities from the government or another public body to the private sector and private markets. It means shifting ownership, management and delivery of services or assets from public hands to the control of private, for-profit corporations.

Privatization of public services and infrastructure comes in many forms and is constantly mutating. In its most extreme form, privatization is the all-out sale of public assets like buildings, utilities, or roads to a private corporation.

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TYPES OF PRIVATIZATION

Privatization comes in many forms, often dressed up in fancy language. Here are the plain facts about more than a dozen ways public services, facilities, and infrastructure can be privatized.

Alternative Service Delivery

Code for many forms of privatization. Governments use this phrase to sound innovative, and to hide what they really intend to do, which is shed responsibility for services and increase the role of the private sector in managing, delivering and operating public services and facilities. Alternative Service Delivery (ASD) proposals can cover a broad range of services and sectors.

Asset recycling

Asset recycling is a new buzzword being used to make politically unpopular asset sales sound like a good idea. Asset recycling schemes involve selling off or mortgaging all or part of a public utility (like Ontario's Hydro One) or crown corporation with a promise that the proceeds will be "reinvested" to help finance new infrastructure.

Asset recycling is an expensive way to build new infrastructure, compared to direct public financing. Pension funds and other private finance capital funds are promoting asset recycling and other privatization schemes, as they push for secure investment opportunities. The one-time cash infusion generated by asset sales come at a high price. As assets are sold, governments lose future revenues that would have helped fund public programs and services. Those revenues become profits lining the pockets of investors and banks.

SIB

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Asset sale

Also known as divestment, an asset sale involves the complete or partial transfer of ownership of public assets from the government to a private corporation. This can include the sale of a public energy or telecommunications utility, building, road, bridge, port or airport. Asset sales mean the public sector usually forfeits any future revenues or dividends from the asset's operations, in exchange for a one-time cash payment.

Contracting out

This is the most common form of privatization that CUPE members currently face. Contracting out involves a public sector employer (like a municipality, school board, or health care authority) paying a private, for-profit corporation or non-profit organization to deliver a service that was previously provided by public sector workers.

Lease-back

A lease-back arrangement is a feature of some public-private partnerships (P3s) and other privatization schemes. Under a lease-back deal, a private company constructs a new facility, or buys an existing public facility, and leases it back to the government in contracts that can run for decades. Nova Scotia's P3 school program involved lease-back arrangements that have cost the public dearly. The province is now in the process of buying back the schools as the leases expire, recognizing it costs less to own the buildings publicly.

Outsourcing

Like contracting out, outsourcing involves paying a private company to deliver a service previously provided by in-house public sector workers. Often, outsourcing affects an entire system (such as information technology) or department, rather than an individual function. Private companies also engage in outsourcing by moving jobs to other companies located overseas, usually to low-wage jurisdictions.

Public-private partnership (P3)

A P3 is a long-term (often decades) contract between the government or another public entity and a group of private, for-profit corporations. The corporations usually form a consortium that is involved in some combination of designing, building, financing, operating, maintaining and/or owning a facility like a wastewater treatment plant, or a piece of infrastructure like a road.

The private sector has always been involved in the design and construction of public infrastructure, and that is an appropriate role. What's different with a P3 is that private, for-profit corporations are guaranteed long-term profits from government payments for financing, operating and maintaining infrastructure.

P3s are often promoted with the claim that the private sector takes on responsibility for risks previously assumed by the public. However, so-called risk transfer comes with very high price tag, and is calculated using biased and subjective methods. P3s often hinge on the "value for money" that risk transfer provides, but the financial details to back up these decisions are rarely made public. Ultimately, the public sector assumes the risk of continuing to provide a service if a corporation goes bankrupt or walks away. Under a P3, workers may or may not be brought over from the public sector. Even when they are, there are no long-term guarantees of employment.

Service shedding

When a government or public sector body simply stops providing a service. This lets private, for-profit corporations (or non-profit entities) step in to fill the gaps.

Social impact bonds

Social impact bonds (SIBs) are the newest way for corporations to profit from public services. A SIB is a structure to outsource the financing, planning and evaluation of social programs to third parties while providing profits to private investors. They're also known as Pay for Success Bonds or Social Benefit Bonds.

In a SIB, investment firms provide up-front money for social programs. If particular outcomes are met, the government pays back the private investor with a profit. The model involves many private consultants who help negotiate the contract, manage the project and evaluate the outcomes.

SIBs focus on achieving a specific result or outcome (for example, lower rates of reoffending among newly-released prisoners). If the outcome is achieved, the investor is paid back by the public sector, with a healthy rate of interest. This distorts the priorities of services that are often serving vulnerable populations. Achievable results might lead to people with more "difficult" needs not being properly served by a social program. SIBs also blur the direct line between governments and social services agency, inserting a complex group of private-sector investors, evaluators and other intermediaries in the middle.

Volunteers
Using volunteers instead of public sector workers to provide all or part of a service is a form of contracting out. Some CUPE locals have negotiated collective agreement provisions defining appropriate roles for volunteers that allow community participation in public services, without threatening service quality and continuity, or job security.

Unpaid domestic work
When governments stop funding public services (or never develop a public program), this creates unpaid domestic labour – work that takes place in people's private homes. These unregulated and unpaid alternatives privatize needs that should be met by public sector workers as part of a coordinated, publicly-funded program. Cuts to home care, inadequate long-term care, and the lack of affordable child care for all fuel unpaid work in the home. The burden of this work falls disproportionately to women.

User fee
A fee charged to users of a public service. Instead of drawing on tax revenues to provide the service, governments charge user fees to subsidize the cost (and sometimes to deter or limit use). User fees are a shift away from public funding to private and individual sources. A user fee like a toll to use a road hits lower-income users the hardest, as they pay a higher share of their income than wealthier users. This makes user fees regressive. Income taxes are based on ability to pay and are a much more progressive way to fund public services.

Voucher
Also known as individualized funding, vouchers provide public funds directly to people to purchase services on the private market, instead of providing the service directly. For example, a person with a disability would hire their own direct support worker instead of being provided with care from a public or not-for-profit agency. Promoters of vouchers claim they promote "choice." However, individualized funding leads to erosion of services, a market-based model with no guarantee of access to services, downward pressure on wages, and greater privatization. Vouchers treat public services as a consumer product, not a public good.

PROCESSES THAT FACILITATE PRIVATIZATION

Governments and employers have many ways of paving the way to for-profit service delivery. It's important to watch for, and resist, the processes governments and employers use to set up public services for privatization.

Amalgamation/regionalization
Proposals to amalgamate or regionalize public sector bodies like health authorities have led to pushes for shared services, competitive bidding, contracting out and cutbacks.

Attrition
When workers who resign or retire aren't replaced, it can be a sign of impending privatization. Employers can use attrition to get around job security provisions when a CUPE local's collective agreement lacks full protection against privatization.

Commissioning
Commissioning is widely used in the United Kingdom and may be coming to Canada. Commissioning is a process that encourages the creation of "public service markets" where public, for-profit and not-for-profit providers compete against each other to provide services at the lowest cost, to meet a predetermined outcome set by the government. In this way, it's like competitive bidding.

The role of government is reduced to managing the demand for services, negotiating and managing contracts and monitoring compliance with regulations. Inevitably, this model replaces public service principles and values with commercial business practices and values.

Competitive bidding
Under competitive bidding, a public department or service is forced to compete against bids from private companies to deliver a service. In social services, not-for-profit agencies can be pitted against each other, driving down wages and eroding working conditions.

This undermines job security and creates ongoing pressure for low wages and other cuts and concessions, in order for the public sector to "win" a bid and continue delivering the service. Another form of competitive bidding, called "managed competition" promotes the notion that the public workforce currently delivering the service being considered for competition is more actively engaged with management to prepare bids.

Concessions
Demands at the bargaining table for reduced wages, benefits or job security can signal plans to prepare a service for privatization. Employers also threaten to contract out or privatize to extract concessions. But employers that get concessions almost always come back for more. Often, privatization goes ahead anyway.

Corporatization
When a public utility adopts the goals and structures of a private corporation, it becomes corporatized. Corporatization also occurs when managers or leaders of a public institution (for example a college) reshape the institution to serve private sector needs. A corporatized utility often has an unelected board that operates at arm's length from elected officials who represent the public owners, reducing democratic involvement in and oversight of operations and key decisions. Corporatization can also restrict accountability and transparency to the public, as arm's-length corporatized bodies may not be covered by access to information laws or the scope of auditors general.

Core service review
Core service reviews are most often seen in municipalities. They are a consultant-led review of a public body's publicly-provided services. The goal is to identify "efficiencies." However, the pro-private sector consulting firms conducting the reviews have cookie-cutter solutions (sometimes directly cutting and pasting from one review to another) that favour cuts to front-line staff, contracting out, and other attacks on public services.

Delisting
When a provincial health plan stops covering the cost of an item or service, that health care product or service has been delisted. Individuals will have to pay for it out of their own pockets, shifting the burden onto individuals and expanding the role of the private sector through private health insurance and other privatized service providers.

Deregulation
When a government removes restrictions, or regulations, on business, it's known as deregulation. When it comes to public services, it can mean opening up services to competition from private providers, less regulation to protect the public interest, and all-out privatization.

Shared services
Proposals for regionalization or amalgamation of public services often come with a move to centralize or consolidate service delivery, known as shared services. Support services and technical services are often targeted in a bid to cut costs and find "efficiencies." This can lead to job cuts and hurt the quality and continuity of care. It can also open the door to contracting out, once a service or function has been centralized and cut back.

ASD

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Trade deals

Trade deals like the Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada create international pressure to deregulate and privatize and give corporations the right to sue government for actions that might interfere with future profits. CETA's provisions will make it difficult for a municipality or other government to reverse privatization and bring a service back in house, even when the privatization is a failure.

Underfunding

Systematic and sustained government underfunding of public services will inevitably hurt quality and access. The result can undermine public confidence in public delivery, opening the door to privatization. When governments underfund, a service or asset becomes neglected, leading to public dissatisfaction, which opens the door to radical proposals to reform or rehabilitate.

WHO'S PUSHING PRIVATIZATION?

This list of some of the major privatization pushers highlights the pressure on our public services and public infrastructure. Working together, CUPE members and our allies can push back and protect public services.

Canada Infrastructure Bank

The Federal Liberal government has established this "bank of privatization" to broker deals with private investors eager to profit from owning and operating our roads, bridges, transit systems, water and wastewater facilities, electrical systems, and more. Canada Infrastructure Bank projects will rely on expensive private financing, which could double the cost of projects. This is a major financial hit for municipalities. Private investors, including major public sector pension funds, want to generate revenue from infrastructure to feed their profits, which means Canadians will face new or increased user fees and tolls. CIB projects will be shrouded in secrecy, all while shifting planning, ownership and control of public facilities to private, for-profit corporations.

CCPPP

The Canadian Council for Public-Private Partnerships is the main lobby and advocacy group promoting P3s in Canada. Its membership is a who's who of corporations, law firms and consultants that would profit from privatized infrastructure and services. Also on the member roster are pension funds and some federal, provincial and municipal representatives. The CCPPP publishes pro-P3 research and polling and hosts an annual conference that attracts privateers from around the world.

Consultants

The so-called "Big Four" consulting firms – KPMG, Ernst & Young, PricewaterhouseCoopers, Deloitte – have a veneer of impartiality, because of their role as auditors in some settings. However, these firms all participate in evaluating and assessing P3s using biased calculations that tip the scales in favour of privatization every time. Some firms also conduct core service reviews and have been known to provide the same "solutions" of contracting out and other forms of privatization, in cut-and-paste format, to multiple municipalities.

Pension funds

Workers' pension funds hold our deferred wages and are key to our collective retirement security. These funds have increasingly been hijacked to work against the public interest and are investing in and lobbying for privatization. Nearly all workers belong to either the Canada or the Québec Pension Plan. These large public pension funds, along with some of the biggest public-sector defined benefit plans, are profiting from privatized infrastructure in Canada and internationally. They are becoming investors in and direct owners of hospitals, schools, toll highways, seniors' homes, bridges, rail systems, energy systems, water utilities, airports, and marine ports, all around the world. Now, the Canada Infrastructure Bank is looking to pension funds as key owners and operators of privatized deals it brokers. CUPE opposes private, for-profit ownership and control of public infrastructure – even when one of our members' pension funds may benefit. We want our pension funds to achieve decent investment returns, but not at the expense of the Canadian public.

Provincial P3 agencies

Crown corporations like Partnerships BC, Infrastructure Ontario and SaskBuilds all have a mandate to simultaneously promote and assess P3s. This places them in an inherent conflict of interest that leads to biased advice in favour of privatization. Key financial details and complex risk calculations underpinning their pro-P3 advice are usually kept secret, preventing independent analysis of claims that P3s deliver "value for money."

PPP Canada

PPP Canada was a federal crown corporation set up under the Harper Conservatives to expand the scope of privatization into new sectors and regions. It administered the P3 Canada fund, which subsidized P3 projects by paying up to 25 per cent of capital costs. This major incentive to privatize, combined with inadequate public funding, created the conditions that spread privatization in municipalities, including to water and wastewater projects. As with provincial P3 agencies, PPP Canada's twin role of both promoting and assessing P3s placed it in an inherent conflict of interest, leading to biased advice. After cementing plans for much broader and deeper privatization with the Canada Infrastructure Bank, the Liberal government announced PPP Canada would cease operations at the end of March 2018.

Right-wing think tanks and groups

These include the Fraser Institute, the Manning Centre, the C.D. Howe Institute, the Montreal Economic Institute, the Atlantic Institute for Market Studies and the Frontier Centre for Public Policy. These and other right-wing think tanks frequently publish reports and commentary that are hostile to public sector workers, publicly-provided services and progressive taxation – all stemming from a stubborn and demonstrably false belief that competitive markets always produce better results. Groups like the Canadian Taxpayers Federation and the Canadian Federation of Independent Business often advance an anti-public sector agenda.

HUH?!

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