

New Forms of Privatization
Making It Public:
Evidence and Action Against Privatization
National Union of Public and General Employees

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Agenda

- Current context
- Why new forms of privatisation have emerged
- New forms of privatization
- Economics of the new privatization
- The vested interests promoting these new forms
- Examples of new forms of privatization
- Performance of new forms of privatization
- Effect of a 'public service economy'
- Impacts for service users and public employees
- Lessons learnt and action strategies

Context

- Continuing austerity combined with neoliberal objectives:
 - Free trade and competition
 - Deregulate to accumulate
 - Deconstruct democracy – consolidate corporate welfare
 - Reconfigure the state and cut taxes
 - Reduce cost and power of labour
- UK led the way in *neoliberal transformation* - financialization, personalization, marketization and privatization.
- Austerity-driven continuation of existing forms of privatization to wider range of assets and services.
- Increasing political consensus between main political parties.
- Taxation, corporate evasion and public resources.
- Free Trade Agreement negotiations – TTIP, CETA, TISA.
- Debate about the '*social economy*'.

Why new forms of privatization have emerged internationally and in Canada

- *Mutation of privatization required to extend it*
- *Changes in the role of the state*
- *Demands of capital for new opportunities for accumulation*
- *Changes in the finance of services*
- *Changes in employment*
- *Changes in the distribution of power*
- ***But high risks, failures, threats and vulnerabilities***

Outline of the new forms

1. P3 strategic partnerships.
2. Whole service contracts.
3. Social impact bonds – payment by results – and privately financed social investment projects.
4. Transfer of public services.
5. Expanded role for non-profit organizations.
6. Fragmentation of public networks eg schools and hospitals into stand alone semi-commercialized organizations.
7. Personal Budgets extended to more health and social care service users.
8. Community rights to challenge, bid, buy, manage, build, buy and transfer assets to non-profit organisations or private companies.
9. Monetizing & recycling public assets & P3 secondary market.

Six parts to each pathway



Economics of the new privatization

Private	Public
<ul style="list-style-type: none">● Private finance (higher cost than public borrowing)● Finance arranging fees.● Private or non-profit contractor● High bid costs.● Payment-by-Results (Paying for success)● Secondary market trading P3 assets	<ul style="list-style-type: none">● Restructuring for commissioning● Options appraisal & business case● Procurement process costs● High transaction costs including consultants● Contract management and monitoring● Financing formation of new companies and non-profit organisations● Making markets● Change control or variation orders for additional work & costs
<p>Ultimately all publicly financed</p>	

The vested interests promoting the new forms

- Role of philanthrocapitalism
 - Foundations and charities
 - Social finance intermediaries
 - Large non-profit housing groups
 - Social enterprises
- Growth shadow banking - hedge funds, private equity
- Transnational companies and corporate social responsibility
- Trade and business organizations
- Right wing think tanks and political groups

Neoliberal public management

- Commissioning – separation of purchaser and provider functions.
- Loss of experience in frontline service delivery and contact with service users.
- Public sector relinquishes responsibility for changes in staffing levels, terms and conditions, and the employment practices of contractors.
- In-house option restricted to *'business as usual'*.
- Rationalisation as services are privatized.

P3 Strategic Partnerships

- Long-term, multi-service, multi-\$m contract.
- 50 – 1,000 staff transfer to contractor or Joint Venture Company.
- Contracts 10 -12 years with 5 year extension option, highways and waste contracts 25+ years.
- Focus on services and revenue budgets.
- Minimal private finance because small infrastructure element.
- Big savings and job generation targets but.....
- ‘World class services’ & ‘beyond excellence’ claims.
- Highways are ‘whole service’ contracts.

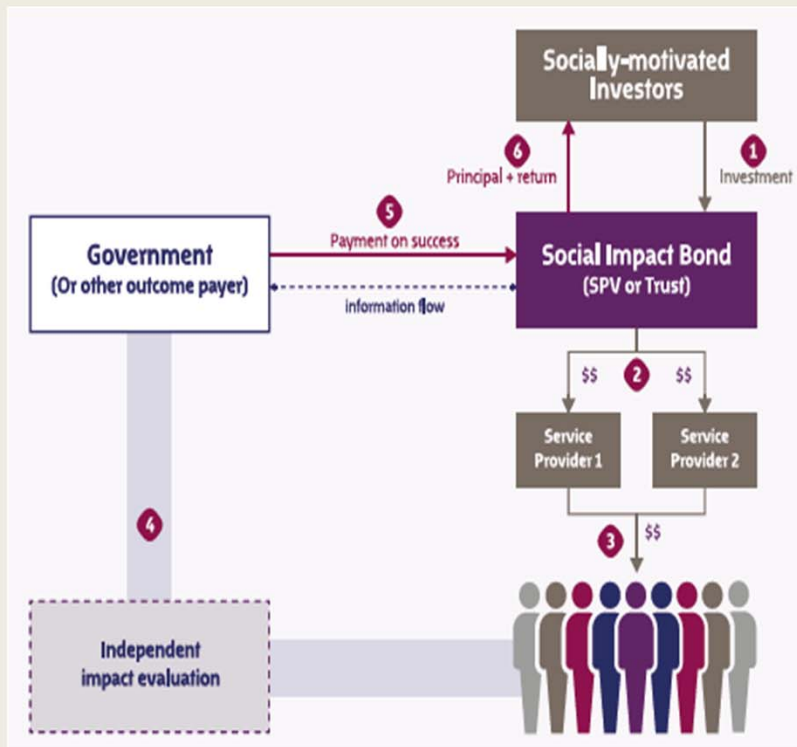
P3 strategic partnerships

Service	No of contracts	Total value (C\$m)	No of staff
ICT and corporate services	47	17,230	19,339
Planning	7	1,810	1,695
Educational services	5	3,450	4,963
Police Authority support services	3	1,015	1,670
Fire and rescue	2	905	261
Property Services	1	1,265	700
Sub total	65	25,675	28,628
Highways	4	11,130	1,015
Waste management	45	53,970	n/a
Total	114	90,775	29,643

Impact investing - social investment

- New market for financial intermediaries, contractors, consultants & lawyers.
- Promoted by JP Morgan, Goldman Sachs, Bank of America.
- *“..allows government to purchase results”* (G8 Taskforce)
- Enforces neoliberal role of government – public sector as facilitator with loss of accountability.
- Market redefining impact assessment.
- No reference to quality of jobs and trade union organization – charities, social enterprises.
- Secondary market in SIBs – the Social Stock Exchange!

Social Impact Bonds



Privatization of:

- Policy making
- Innovation
- Finance
- Contract management
- Service provision
- Performance evaluation

Venture capital model – private not just social investors

Requires false comparison with 'business-as-usual' public services

Similar to anti-competitive clauses in P3s
– Peterborough bond terminated

Assumption of cumulative savings – no financial crises!

Difficulty measuring outcomes

Social Impact Bonds – savings?

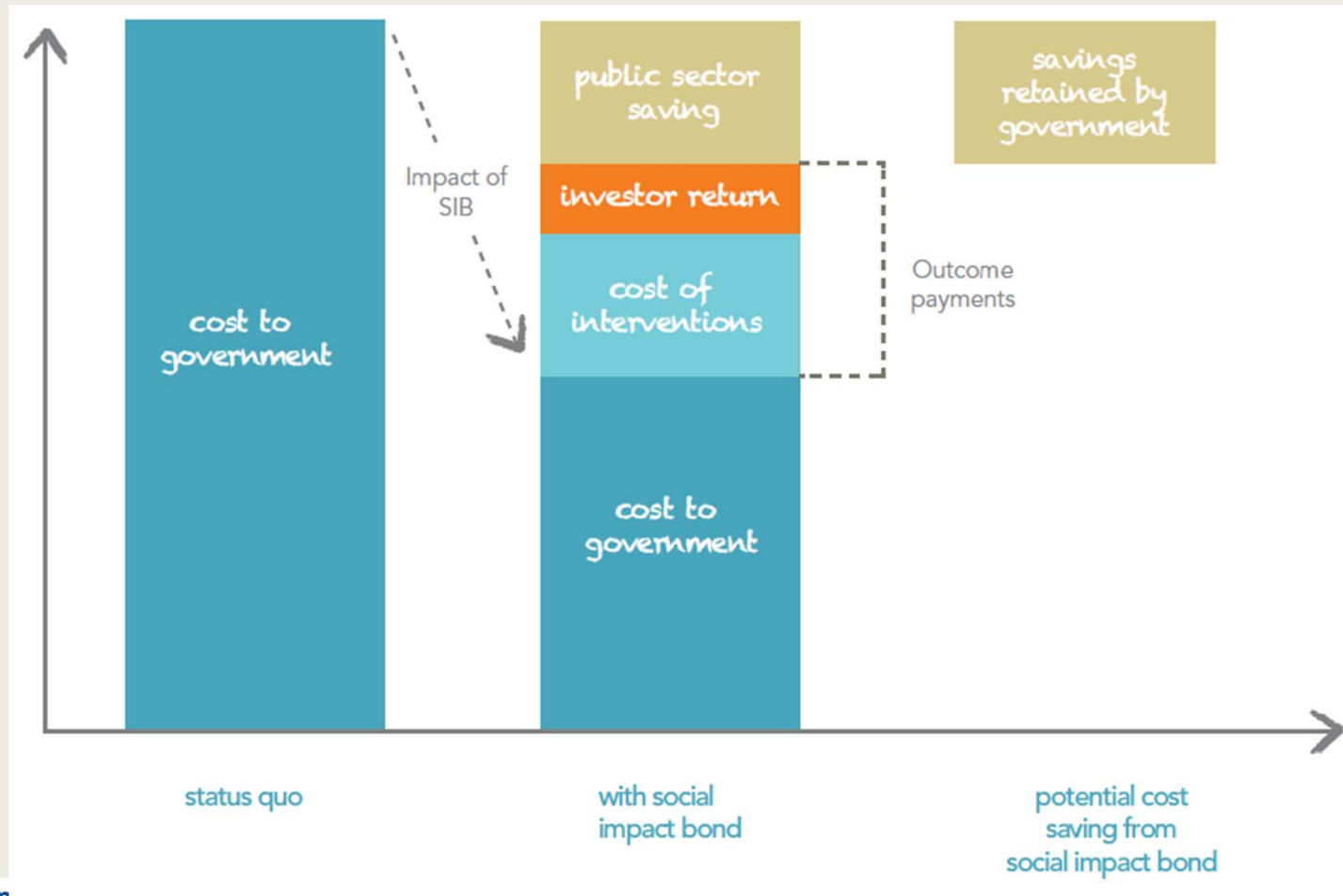
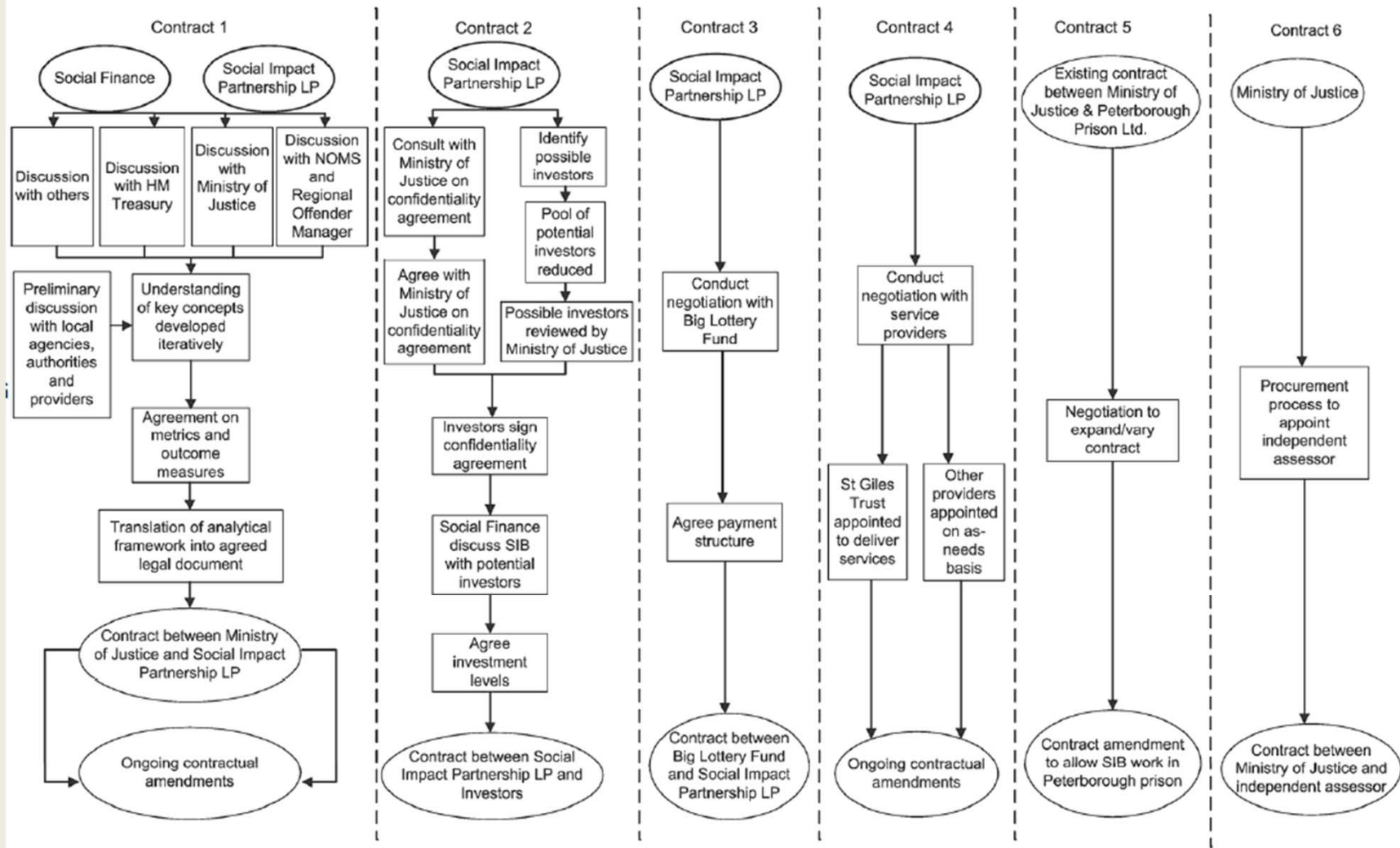


Figure 1: The processes of negotiating and drafting contractual arrangements for the SIB

Source: Interviewees' accounts analysed by RAND Europe



Transfer of services to social enterprises

- Initially Housing Management Companies, Leisure and Care Trusts.

Now

- Local Authority Trading Companies
- Social Enterprises - some believe this is not privatization
- Local Enterprise Partnerships for economic development, transport and housing investment
- Over C\$400m UK government grants to establish social enterprises in health & local government.
- Motives and potentially *'poisoned chalices'*?

Personal budgets

- Personalisation agenda and ‘co-production’.
- Initially to give people requiring long-term complex needs with more control over services.
- Extended entitlement to more and more groups in social care, health and special educational needs.
 - A direct payment to purchase services (24% social care)
 - An account held and managed by local government
 - An account held by a third party and called off by users
 - Integrated health and social care personal budgets April 2015
- Effect of budget cuts.
- Service users select a service provider – increased role for voluntary & community services – ‘virtual market places’
- Legal constraints imposed on use in in-house services.
- Variant to education vouchers.

Future of P3 projects

- Citywide contracts combining infrastructure & services
- Growth of secondary market trading public assets and offshore tax evasion – Canada - UK reform for public sector equity stakes!
- Exclusion of support services but also growth of hospital hotel services contracts.
- Buy-back proposals – who pays and need for end of P3s.
- Increased monetizing/recycling of public assets.
- Created Corporate Welfare system – P3 Wealth Machine.
- **Need for new integrated direct public investment model, alliances and action strategies.**

Performance of new privatizations

P3 Strategic Partnerships

Contract performance	Number	Percentage (%)
Contract terminations	6	10.2
Major reductions in scope	4	6.8
Significant problems in contracts	3	5.0
Total contracts	13	22.0

- Local Authority Trading Companies – several closures/wage cuts
- Employee-owned bus companies – gone
- Management buyouts – gone
- Mutual building societies – many demutualized
- Largest leisure trust operates as a private contractor
- Growth of national chains housing associations diversified into social care and private housing

Effect of a 'public service economy'

- New and higher charges for public services – monetizing of public sector.
- Job losses and cuts in terms and conditions
- Weakened trade union organisation
- Erosion of democratic accountability and transparency
- 'Commercial confidentiality' to stop involvement
- Equalities and social justice marginalised
- Increased competition for resources
- Reduced capacity of government to tackle poverty, inequalities and basic needs.

Impacts for service users

- Market forces will determine the quality of services.
- Contracts lead to a loss of flexibility and responsiveness.
- Getting answers will be more tortuous.
- Services increasingly treated as individual ‘customers’
- ‘Commercial confidentiality’ will limit disclosure.
- The blame game will get worse as contractors shift responsibility for delays and failures
- Contractual disputes could cause delays.
- Community involvement restricted due to procurement.
- Increased user fees, charges and tolls.

Impacts for public employees

- Redundancies, loss of job security and transfers as contracts are won or lost.
- Replacement of staff on lower grades.
- Wage and benefit cuts.
- Threat to pensions - closure of defined benefit pensions
- Reduced implementation of equality policies.
- New working practices.
- Increased use of volunteers.
- Operate in a contract culture with commercial values
- Fragmented trade union organisation

Lessons learned

New forms of privatization driven by neoliberal ideology & austerity

3 key strategies:

**Organising & action
in workplace &
community with
demands for
policies and jobs**

**Evidence of poor
performance, failed
savings, public
costs and
corporate welfare**

**Alternative policies
& plans for
innovation,
investment &
improved services**

Action strategies

Organising

- Strengthen workplace organising & recruitment
- Identify effect on jobs & conditions
- Communications strategy

Build public service alliances

- Engage community organisations & social movements
- Build public service alliances
- Joint trade union approach
- Draw on international lessons

Action strategies

- Consider rallies, demonstrations, boycotts, lobbies, occupations & legal action.
- Selective industrial and community action

Build political support

- Lobby for policy changes
- Case for taxation and public funding
- Demand accountability & transparency

Alternative policies

- Service Innovation & Improvement Plans
- Critical analysis of options appraisal
- Alternative vision for services & new public service management
- Impact analysis – services, jobs & local economy, equalities

Evidence & challenge vested interests

- Expose contract failures, public costs & savings claims
- Identify vested interests of bidders
- Demand contract review or audit
- Detail scale of corporate welfare

Intervene in privatization process

- Analysis of business cases/plans
- Intervene in transfer, procurement or sale process.
- Promote comprehensive evaluation criteria
- Protocols for engagement

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