

# Other New Forms of Privatization

INTERNATIONAL CONFERENCE

NEW FORMS OF  
**PRIVATIZATION**

WHAT THEY ARE. HOW WE FIGHT THEM.

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# New forms of privatization mean<sup>2</sup> no public services are safe

- Allow services that were previously seen as safe from privatization to be targeted
- Examples are social services, justice, and corrections, child welfare, public health, early childhood development, education and many administrative services
- We are even starting to see policy-making functions privatized with the increased use of consultants

# Some examples

|   |                                      |
|---|--------------------------------------|
| Public/public competition                 | ORNGE                                |
| Competitive neutrality                    | Considered for TPP and OECD          |
| Tying infrastructure funding to using P3s | Regina sewage plant and Edmonton LRT |
| “Asset Recycling”                         | Proposed for Hydro One in Ontario    |

# Social Finance and Social Enterprises originally meant as alternatives to the private sector

- Social finance was people investing in a business or project that accomplished social objectives, like funding affordable housing construction
- Social enterprises were businesses trying to meet social objectives, like a coffee shop selling fair trade coffee
- The idea was investors would accept lower profits if their investments made the world a better place

# Privatization turns that idea behind Social Finance and Social Enterprises on its head

- Social Finance and Social Enterprises need to make a profit to survive
- When making a profit becomes the priority for those running a public service, quality will suffer
- Instead of making a profit to help the most vulnerable, the goal becomes making a profit from the most vulnerable

# Social Impact Bonds in theory

- Social Impact Bonds are one way social finance is being used to privatize public services
- The theory behind Social Impact Bonds is that private investors and governments enter into contracts to fund services that have the potential to save governments money
- Investors get their capital back with an agreed-upon profit only if those objectives are met
- If these outcomes aren't met, investors lose their original investment – in theory

# Social Impact Bonds in practice

- Even if a community-based, non-profit agency is delivering the Social Impact Bond, the first priority is making sure investors get paid
- No matter how good their intentions are, to survive, intermediary organizations must put meeting the targets ahead of serving the public

# Non-profits used as a front by for-profit corporations

- Because many non-profit agencies do make serving the public a priority, turning public services over to non-profit companies doesn't attract the same level of opposition as turning them over to for-profit corporations
- Corporations trying to take over public services know this
- Based on what happened in Newfoundland, we need to check who owns non-profits



# Key Assets

- In March, the Newfoundland and Labrador government announced that Key Assets had been contracted to provide residential care for children
- Key Assets was described as “a non-profit organization”
- While it's registered as a non-profit in Newfoundland and Labrador, it's 100% owned by Core Assets, a for-profit corporation in the UK
- Core Assets operates in Europe, Asia, Australia and North America

# Asset recycling

- Rebranding of the original privatization scheme of selling off public assets
- While proponents are trying to suggest it's limited to assets that aren't really needed anymore, assets discussed for recycling in Ontario include Hydro One and Ontario Power Generation
- Government is claiming using P3s not privatization
- Asset recycling originated in Australia

# Best sourcing

- New Zealand is requiring government agencies to evaluate all services they deliver to see whether they are best outsourced
- No similar review required for privatized services

# Voucher system for vocational training

- Being implemented in several Australian states
- Instead of funding colleges directly, funding is based on enrollment and private colleges are eligible for public funding
- Problem is private colleges attract students with shorter, but substandard courses
- There are even allegations of private colleges paying students to sign-up

# Charitable donations

- Public institutions, like universities or hospitals, trying to attract charitable donations are offering donors a role in decision making
- As charitable donations are only a small fraction of what these institutions receive in public funding, the result is the wealthy are able to use their donations to make decisions about how public funds are spent
- “Charity is a cold grey loveless thing. If a rich man wants to help the poor, he should pay his taxes gladly, not dole out money at a whim.” – Clement Attlee, British Prime Minister 1945 – 51

# While the language is different, what is driving new forms of privatization is no different

- New ways for privateers and corporations to make money
- Governments starved of revenues due to tax cuts are looking for short-term fixes