national union

backgrounder

Privatization Overview

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The National Union of Public and General Employees (NUPGE) is a family of 11 Component and 3 affiliate unions. Taken together, we are one of the largest unions in Canada. Most of our 390,000 members work to deliver public services of every kind to the citizens of their home provinces. We also have a large and growing number of members who work for private businesses.

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Introduction

By any objective measure, privatizing public services is a failed policy. According to its supporters, privatization was supposed to provide better public services at a lower cost. It has done neither.

At best, privatization has meant poorer quality services, higher costs, or both. At worst, it's been a disaster. P3 privatization schemes have added billions to the cost of schools, hospitals, transit systems, and other infrastructure projects. The secrecy around privatization schemes has led to problems with corruption. When privatization resulted in corners being cut to increase profits, people were forced to do without services or supports they desperately needed.

What have allowed privatization to continue in the face of such an appalling track record are the businesses and individuals that make money when public services are privatized. While they would never use the term, the businesses and individuals profiting from privatization have come to form a "privatization industry." Their response to failures is either to claim problems are specific to particular privatization schemes or to ignore the problems completely.

But as problems with privatization have continued to increase, even many supporters have acknowledged things need to change. Those who once supported privatization are starting to admit it was a mistake. Increasingly, privatization schemes are being scrapped and services are being brought back under public control.

But as long as the privatization industry thinks there's money to be made from privatization, it will be a threat. And unions and others who believe the public good should come ahead of private profit need to be prepared to fight to protect public services.

What Is Privatization?

Over the years, privatization schemes have become increasingly complex. In many cases, the proponents will claim that what they are proposing isn't privatization. For example, when the Ontario Liberal government introduced a version of P3 privatization schemes called Alternative Financing and Procurement (AFP) in 2006, it claimed, "AFP will not lead to the privatization of hospitals or medical services."[1] In 2018, defenders of social impact bonds claimed that "the transfer of risk is not the equivalent of privatization."[2] They were ignoring the fact that the reason social impact bonds are viewed as privatization is the control they give investors over services.

There are several reasons for the increasing complexity of privatization schemes.

The first public services to be privatized were ones where there was an obvious way for the private sector to make a profit from taking them over. Services with revenue streams, like airlines or telecommunications companies, were sold off. In cases where for-profit companies were already providing services to the private sector, such as cleaning or security, services were contracted out.

As time passed, newer forms of privatization were developed that increased the range of public services that could be privatized. These included public-private-partnerships, social impact bonds, and individualized funding, or voucher systems. Other privatization schemes focused on forcing the public sector, or not-for-profit organizations delivering public services, to act more like private for-profit companies.

New forms of privatization are usually far more complex. One reason for the complexity is that these schemes are trying to create ways for the private sector to make a profit on services that were thought to be impossible to privatize. Another reason these schemes are so complex is to disguise the fact services are being privatized.

Increasingly, governments that are privatizing public services don't want to admit it. They will avoid using the word privatization. Instead, they use euphemisms like choice, social impact bonds, asset recycling, or broadening the ownership.[3] This is especially true when services for the most vulnerable people in society, or services people see as essential for their safety and security, are being privatized.

But in spite of the attempts to muddy the waters, there are 2 things that make it clear privatization is taking place.

For one, with privatization, there is a loss of public control, including less accountability and transparency. Secondly, there are also more opportunities for private profit. With new forms of privatization, those benefiting are often those involved in the privatization process rather than the organizations delivering privatized services.

The Privatization Industry, or Who Profits from Privatization

There are a number of different organizations and individuals who profit financially or politically from privatization. Together they form a "privatization industry."[4] The resources the privatization industry has put into keeping this failed policy alive are why privatization continues to be a threat.

Obvious members of the privatization industry include companies owning and/or operating privatized services. The industry also includes the law firms, accounting firms, banks, investment funds, consultants, lobbyists, and public relations firms involved in setting up privatization schemes. But these are just who is profiting directly from privatization.

Other members of the privatization industry include those getting funding from companies profiting from privatization. Think tanks and academics defending privatization often fall into this category. So do professional or business associations.

Former politicians and bureaucrats profit from privatization

Current and former politicians and bureaucrats can also be part of the privatization industry. Individuals who supported privatization while holding elected office, or while serving in senior jobs in the bureaucracy, regularly end up working for companies that run privatized services.

When he was premier, Gary Filmon privatized the Manitoba Telephone System (MTS). After leaving office, he joined the board of directors of the privatized company and was paid almost $1.5 million.[5] Similarly, a former Executive Contract Manager for the Ministry of Health Services[6] for the Government of British Columbia went on to be a senior executive for the company running several programs that were privatized by the BC government.[7]

Who is in the privatization industry?

Knowing who is part of the privatization industry is important when looking at articles or reports defending privatization. In many cases, those defending privatization are part of the privatization industry.

The obvious examples are conservative think tanks or lobbyists that are paid by companies profiting from privatization. But the privatization industry also includes some less obvious elements. There are academics whose work is funded by the profits of privatization. Then there are professional and business associations in which companies profiting from privatization have significant influence.

An example of the role played by professional and business associations is the reports put out by the Ontario Chamber of Commerce (OCC) calling for more privatization of public services. These reports benefit companies belonging to the OCC that profit from privatization, as is clear from the list of sponsors.[8] But having the OCC, whose link to privatization is not as obvious, releasing the reports, helps hide the self-interest of those funding them.

Similar to the role played by the OCC in issuing the reports is the role of professional associations whose names appear on the list of those involved in preparing the reports. Both the Chartered Professional Accountants of Ontario and the Certified General Accountants Association of Ontario were represented on the advisory committee for the report calling for greater use of strategic partnerships.[9] The involvement of the Chartered Professional Accountants of Ontario and the Certified General Accountants Association of Ontario in reports calling for privatization reflected the involvement of the large accounting firms in privatization.

Underfunding Public Services Is Deliberate

The most frequently used justification for privatization is that governments can't afford to provide quality public services (never mind that privatization generally pushes up costs). But the fact governments don't have the money to afford public services isn't accidental.

Given a choice, most people don't want services to be privatized. They recognize that when services are privatized, the priority changes from meeting the needs of the public to maximizing profits for investors. For that reason, the privatization industry has developed a strategy for undermining public services. It's been used so often that it's come to be known as "the Privatization Playbook."

The Privatization Playbook

- They can't attack popular public services directly, so instead starve services of funding.
- They starve services through tax cuts that benefit the top 1% and profitable corporations.
- Lack of funding means the quality of services deteriorates.
- The public get frustrated and ask: "What are we paying taxes for?"
- CEOs and their political friends say: "We should let the private for-profit sector deliver these services."

Privatization Playbook being used by Kenney Conservatives

A recent example of how the privatization playbook works in practice is the actions of the Conservative government in Alberta. One of the Conservatives' first moves in government was a massive tax cut for large corporations. This tax cut will cost Alberta up to $4.5 billion in lost revenue.[10]

While the Kenney Conservatives trotted out the usual claim that cutting corporate taxes would create jobs, experience has shown it won't.[11] In fact, since the tax cut was announced, Husky, which will get an estimated $233 million from the tax cut, has announced more layoffs.[12]

What the tax cut does do is make it easier for the Kenney Conservatives to starve public services of funding and use the resulting drop in quality to justify privatization schemes. This is already starting to happen with the announcement that there will be further privatization of lab services.[13] The Alberta government has also announced that 5 new schools will be built using P3 privatization schemes—even though a previous Conservative government canceled plans for P3 schools after finding public delivery would be cheaper.[14]

Privatization Pushes Up the Cost of Public Services

One of the biggest myths about privatization is that it saves money. The reality is very different. With all forms of privatization, there are new costs that don't exist when services are publicly delivered. These include investor profits and the fees for the assorted consultants and professional services that privatization schemes require.

Auditors General find P3s more expensive

In 2014, a report by the Ontario Auditor General found that P3 privatization schemes added $8 billion to the cost of 74 infrastructure projects.[15] This was not the first time an Ontario Auditor General had found P3 privatization schemes pushed up costs. In 2008, a previous Ontario

Auditor General found that using a P3 privatization scheme for a new hospital in Brampton cost $394 million more than if the project had been publicly delivered.[16]

A 2018 report on 17 projects in British Columbia concluded that using P3 privatization schemes cost $3.7 billion more than using public delivery.[17] One factor was that borrowing costs for P3s are almost double those for publicly delivered projects. The 2014 report of the Auditor General of British Columbia stated that "while government's weighted average cost of borrowing is approximately 4%, on the $2.3 billion that government borrowed through public private partnerships this is 7.5%."[18]

For-profit health care increases costs

When Alberta signed an agreement with a private hospital in Calgary (the Health Resource Centre) to privatize some clinical services, costs were higher than if procedures had been performed in public facilities. Depending on the type of surgery, Alberta was paying between $486 and $1,814 more per procedure than it would have done if people had been treated in public hospitals.[19]

In spite of the higher costs, the Health Resource Centre went bankrupt. But that didn't end the cost for the Alberta public. Alberta Health Services had to spend between $3 million and $5 million to cover costs related to the bankruptcy.[20]

Lost revenues due to privatization

Lost income from the privatization of public services that generate revenue can quickly offset the one-time gains from the sale. In Ontario, when Hydro One was privatized, the Financial Accountability Office of Ontario estimated that, once the sale was complete, the province "would experience an ongoing negative impact on budget balance from foregone net income and payments-in-lieu of taxes from Hydro One."[21] After Manitoba Telephone System (MTS) was privatized, profits were high, but that money went to shareholders and executives.[22]

Privatization of the retailing and distribution of liquor and cannabis benefits wealthy investors while increasing costs for everyone else. Between 1993 and 2011, Alberta lost $1.5 billion in revenue because liquor stores were privatized.[23] But in spite of the fact the Alberta government was losing revenue, "liquor prices rose in Alberta after privatization for most products and have continued to remain higher than public owned systems even though the percentage going to government has fallen."[24] Health care costs also increase when liquor sales are privatized, because the number of outlets increases, and private liquor stores don't do as good a job of enforcing laws on the sale of alcohol to minors and people who are obviously intoxicated.[25]

Contracting out goes ahead in spite of higher costs

In 2019, the Auditor General of New Brunswick reported that highway maintenance had been "knowingly outsourced at a higher cost."[26] Outsourcing meant higher costs for chipseal and new trucks for snowplowing.[27] When private companies asked for more work, it was given to them even when it made more sense to do it in-house.[28]

New forms of privatization bring new costs

While they are billed as a new source of funding, social impact bonds actually add new costs to the delivery of social programs. In addition to higher borrowing costs, with social impact bonds, “procurement, bidding, consultants and lawyers divert much needed resources from frontline services”[29] This helps explain why at least 60% of the first federal government social impact bond went to administration and overhead.[30]

Internationally, privatization has also been found to push up costs. In Britain, a National Audit Office report on P3 privatization schemes found using private finance could cost 40% more than public funding.[31] A 2014 report found that privatization of electricity, gas, water, and passenger rail service was costing British households an average of $430 each per year.[32] When the European Court of Auditors studied 12 P3 privatization schemes, they concluded that the P3s “suffered from widespread shortcomings and limited benefits, resulting in $2.19 billion of inefficient and ineffective spending.”[33]

Fudging the Numbers

False claims that privatization will save money

The claim that P3 privatization schemes save money is based on the assumption that they transfer the cost of risks to the private sector, but auditors general in several provinces have challenged that assumption and how the savings are calculated. In Ontario, the 2014 Auditor General’s report found that “there was no empirical data to support the key assumptions Infrastructure Ontario uses to assign costs.”[34] This was similar to the comment of a previous Auditor General of Ontario in a 2012 audit of a transit project. That Auditor General concluded there was “no evidence that the estimates of the risks of delivering the ‘spur’ under traditional procurement were based on actual experience of similar, traditionally procured transportation projects.”[35]

There have been similar criticisms from auditors general in 4 other provinces. In a 2010 report on a P3 privatization scheme for 18 schools, the Auditor General of Alberta said, “We did not find evidence that estimated risk costs were, in total, validated against actual experience from prior school construction projects.”[36] Saskatchewan’s Auditor General found that decisions about risk costs were “based primarily on the results of verbal discussion.” In the 2015 report, the Auditor General pointed out that “not making information available in writing or maintaining key empirical data makes it difficult to substantiate or scrutinize decisions, particularly those that require a high level of expertise and professional judgement.”[37]

When looking at the value-for-money reports that recommended using P3s for 2 hospitals in Montreal, the Auditor General of Québec found “a major error in the analysis model” without which public delivery was “more economical by at least $10.4 million.”[38] In New Brunswick, the Auditor General’s report on 2 P3 schools found that an assumption that increased the cost of public delivery by $14.2 million couldn’t be justified, and without that assumption, “the traditional model (public delivery) would deliver $1.7 million VFM over the P3 approach.”[39]

In British Columbia, a Ministry of Finance Review of Partnerships BC found that, for value-for-money reports, Partnerships BC was using a relatively expensive procurement model (Design Bid Build), even when that model wasn't likely to be used.[40] The review also stated that "there is a concern that Partnerships BC is potentially biased towards certain procurement methodologies," specifically P3 privatization schemes.[41]

Consulting operations of large accounting firms profit from privatization

Many of the value-for-money reports used to justify P3s and other privatization schemes are prepared by the large accounting firms, particularly the "big four" firms of Ernst & Young (EY), Deloitte, KPMG, and PricewaterhouseCoopers (PwC).

While accounting firms are often viewed as being independent, the reality is that, through their consulting operations, accounting firms have become major players in the privatization industry. Deloitte, for example, states that it's "global Public Private Partnership (PPP) team are at the forefront of the sector around the world, advising on many of the largest and most complex PPP projects and policy."[42]

Less than half of the revenue of the big four accounting firms comes from auditing services.[43] In Britain, audit work represents less than 20% of the revenue of the big four accounting firms.[44]

Concern that the work of their consulting operations meant the big four accounting firms couldn't be independent on privatization was first raised almost 20 years ago.[45] However, it received more attention following the collapse of Carillion, a company heavily involved in P3s and other forms of privatization. In their report on the collapse of Carillion, the British House of Commons Business, Energy and Industrial Strategy, and Work and Pensions Committees recommended looking at "splitting audit functions from non-audit services" to reduce the problem of conflicts of interest.[46]

Using privatization to make governments *appear* fiscally responsible

Along with fudging the numbers to justify privatization, privatization schemes are regularly used to make government finances look better than they really are. In 2014, the Auditor General of British Columbia reported that one of the main reasons the budget was balanced was $601 million from asset sales.[47] The problem, as the Auditor General pointed out, is "assets can only be sold once and cannot be relied upon as a continuing revenue stream."[48]

This is far from the only time this has happened. Going into an election campaign, the Ontario Progressive Conservatives "balanced the budget in 1999 on the strength of the $3 billion sale of Highway 407."[49] Then, 16 years later, the Ontario Liberals used the sale of Hydro One for a one-time reduction in the provincial deficit.[50]

P3 privatization schemes have also been used by governments to cook the books. As a research paper from the University of Calgary School of Public Policy explains, "To an incumbent government, a key advantage of PPPs is the ability to avoid upfront costs, and let the private consortium arrange financing until the project is complete, allowing politicians to take the credit for new infrastructure while passing future maintenance and operating costs off onto future politicians, taxpayers and/or users."[51]

A 2018 report from the British National Audit Office shows how big a problem using P3s to keep spending off the balance sheet can be. According to the report, “UK off-balance sheet PPPs represent 1.7% of GDP.”[52] To put that in perspective, that amount is 2.5 times what governments in the UK spend on housing.[53]

While the privatization industry likes to claim that P3 debt now appears on government balance sheets, the rules for P3s are still not the same as the rules for publicly delivered infrastructure. In their comments on a review of accounting standards for P3 privatization schemes, the auditors general of both Alberta and Ontario expressed concern with proposals that could result in P3s being made to appear cheaper than they really are.[54]

Quality of Service Suffers under Privatization

In reality, the only way privatization does reduce costs is by cutting or eliminating public services. Privatization frequently results in corners being cut to increase profits for companies running privatized services. It also hurts workers who are often threatened with wage cuts and loss of pensions and other benefits when a service is privatized.

When wages and benefits are cut, experienced workers are often forced to seek other jobs. They also face the threat of being laid off when a new contractor takes over a privatized service. In both cases, the loss of knowledge and experience means the public get poorer services.

Seniors get less support due to privatization

Long-term care is a good example of how privatization harms the quality of public services. A 2016 paper that looked at long-term care in several different countries found that “there is considerable evidence from observational studies that public funding of care delivered in for-profit facilities is inferior to care delivered in public or non-profit facilities.”[55] Staffing levels are a major reason why public or non-profit facilities provide better service. The authors of the paper estimated that if all long-term care facilities in Canada were public or non-profit, residents would receive 42,000 extra hours of care a year.[56]

For similar reasons, people relying on home care have also been hurt as a result of privatization. When Alberta privatized home care services, many non-profit organizations that had provided dependable quality services were frozen out.[57] Instead, contracts went to large for-profit companies that were willing to cut corners on pay and benefits. People found they would lose caregivers who had, in many cases, looked after them for years. And there were serious problems with missed appointments due to staffing shortages.[58]

Many sectors harmed

Privatization has harmed the quality of service the public receive in many other sectors. Since the privatization of adult basic education in Newfoundland and Labrador, enrollment has dropped by 11% and tuition fees increased by 31%.[59] There were so many complaints about privatized highway maintenance services in central Ontario that the company, Carillion, lost the contract.[60] When Carillion went bankrupt in 2018, the Alberta government had to make extra funding available to Carillion to maintain services.[61]

Safety and reliability suffer

After food services in Saskatchewan's correctional centres were privatized, complaints rose rapidly and many prisoners refused their food.[62] One of the private contactor's staff was found having sex with an inmate.[63]

This is identical to what has happened in American correctional facilities when food services have been privatized.[64] Research has shown that privatizing food services makes corrections facilities less safe.[65]

P3 privatization schemes have also had a negative impact on safety and/or reliability. The "innovation" they promise often means cutting corners on construction in ways that cause problems for the public. Problems with the Toronto South Detention Centre P3 included windows that can be broken and malfunctioning cell doors.[66] A P3 overpass in Saskatchewan was too narrow for farm vehicles to use.[67] Riders on Ottawa's P3 light rail line have had to put up with a shortage of trains, jammed train doors, and broken overhead wires.[68]

Letting the Private Sector Decide What Services Are Provided

An emerging trend in privatization gives the private sector even more control over how public funds are spent. With most privatization schemes, governments decide on what services will be provided and how they should be provided. What the privatization industry is pushing for is that the private sector should have the power to decide what services should be provided. This would privatize policy-making and make privatization schemes even less transparent and accountable than they are today.

The privatization industry has been pushing for this level of control for some time. Usually reports pushing for policy-making to be privatized talk about governments setting objectives and the private sector deciding how to best meet those objectives. Like most privatization schemes, it sounds a lot more harmless in theory than it is in practice.

REM light rail line has investors deciding route and station location

An early example of a privatization scheme that privatizes policy making is the Réseau express métropolitain (REM) in Montreal. The Québec government set the objective, which was rail routes to the airport and to communities on the south shore of the St. Lawrence. All other decisions about the scheme including the routes, station locations, fares, and the technology were made by the private investor.[69]

There are already concerns about the impact of giving the power to design the route and pick the locations of stations to a private investor. A Montreal Gazette investigation suggests that the location of one station owes more to interests the investor in the REM has in surrounding lands than to transportation needs.[70]

The result of privatizing decision-making is a route that seems designed to poach riders from existing transit routes rather than attract new riders. Quebec's Bureau d'audiences publiques sur l'environnement (BAPE) estimated that 90% of riders will be people switching from existing publicly controlled transit.[71] The BAPE study also suggested that the route will cause capacity problems on an existing metro line. There are also concerns that the REM will harm service on existing commuter rail lines.[72]

While the project is expected to make money for the investor, it comes at a high cost to the public. While over half the funds are coming from public sources, the investor will get a return of between 8 to 9%, and the Quebec government will get a return of only 3.7%. And there will be no return or equity for most of the public funding going into the project.[73] $1.2 billion will be spent replacing an existing electrified rail line when it would have cost only $100 million to solve capacity problems on the existing line by buying more double-decker train cars.[74]

Public Risk, Private Profit

In the 2008 financial crisis banks that had pocketed the profits when they were doing well, expected to be bailed out when they ran into trouble. That thinking is also present when companies providing privatized services run into trouble.

Carillion and the Health Resources Centre are just 2 examples of how governments have had to pick up the pieces when companies holding contracts for privatized services run into problems. Private companies controlling 2 P3 schools in Nova Scotia subcontracted service contracts to regional school boards and transferred risks back to the public sector that were meant to be private. To add insult to injury, the public sector was delivering the service for a lower cost than what the private companies were being paid.[75] When 2 P3 privatization schemes to upgrade subway lines in London, England, failed, governments were on the hook for £1.7 billion and £310 million respectively.[76]

Social impact bonds fail to shift risk to investors

New forms of privatization continue to attempt to ensure it's the public, not private sector, which covers the cost of risks associated with the projects. In the relatively short time they have been around, social impact proponents have found a number of ways of shifting risk from the private sector to governments. What makes this ironic is the original justification for social impact bonds was that it would be investors taking risks and governments would only pay for successful projects.

In Britain, the government gave a tax deduction to investors in social impact bonds and other "social investments" who had lost money.[77] In the United States, charities have guaranteed social impact bond investments by Goldman Sachs, a company with profits in the billions, in case the projects don't meet their targets. Further, with tax deductions for donations to charities, it's the public who are footing much of the bill.[78] In Canada, social impact bond projects have shown how risk can be transferred back to government by only including participants who are more likely to meet targets. Another way to reduce the chance of investors losing money is by using program targets that include the total number of participants rather than just the number of participants for whom the program is making a difference.[79]

Non-compete clauses protect investors, harm public

Non-compete clauses in agreements are another way to transfer the risk from the private sector to governments. These are often used when transportation infrastructure is privatized. Non-compete clauses restrict the ability of governments to take any action that might reduce the revenue a company controlling privatized infrastructure receives.

The problem with these clauses is that they leave governments unable to respond to increased demand or having to pay high penalties to be able to do so. According to the non-compete clause in the agreement for the REM project in Montreal, even if the service is at capacity and no improvements are planned, the regional transit authority can only add new transit services with the permission of the owners of REM.[80]

Similar clauses are used for privatized road projects. A clause in the P3 privatization scheme contract for high occupancy lanes on a North Carolina highway means "adding additional free road lanes or expanding transit service, would trigger the state's penalty payments."[81] In California, a non-compete clause in a similar P3 agreement prevented the state from building new lanes to ease congestion and ended up "forcing the California Department of Transit to engage in lengthy court battles."[82]

Accountability

The more the public find out about privatization, the less they like it. For that reason the privatization industry has gone to great lengths to keep information about privatization schemes secret. When documents related to privatization schemes do have to be made public, the key information is hidden—usually on the grounds of "commercial confidentiality." Any effective measure to make privatization schemes more accountable is vigorously opposed.

Rushed decisions, or information withheld from decision-makers

Even elected officials being asked to approve privatization schemes have problems getting the information they need to make an informed decision. There were only 2 days between the announcement of the highest bid for Chicago's notorious parking meter privatization and the council vote. As the city's Inspector General pointed out, "This time frame was simply too short for the City Council or city residents to study and digest the implications of this complex agreement."[83] Lack of scrutiny allowed the privatization scheme to go ahead, and investors got a 75-year lease of Chicago's parking meters for a fraction of the true value.[84]

Often elected officials aren't even given the information they need to make decisions. When Ottawa city councillors asked about rumours that the recommended bid for a transit P3 had failed to meet the minimum technical requirements, they were told that "access to the technical scores are [*sic*] commercially confidential."[85] 10 months later it emerged that not only did the winning bid not have the required technical score, but that the technical evaluation team had been of the "unanimous consensus that the proposal should not be considered further in the evaluation process."[86]

Undermining freedom of information legislation

Even when freedom of information legislation is used to obtain information, key details are usually kept hidden. When members of the public attempted to get information about a proposed light rail P3 in Edmonton, an entire 1,500-page project agreement and more than 1/3 of a 278-page document on the bidding process were redacted.[87]

Infrastructure Ontario will release documents related to P3 privatization schemes, but with the amount of information that's redacted there's not much the public will learn. For example, while there are numerous references in the project agreement for the Providence Care Hospital in Kingston to how the private consortium must meet the "Output Specifications," Schedule 15, which sets out what the Output Specifications are, is redacted.[88]

The legislation creating the Canada Infrastructure Bank, whose mandate has become funding P3 privatization schemes, imposes new barriers to accountability. Section 28 of the legislation states that "all information" related "to the proponents of, or private sector investors or institutional investors in, infrastructure projects is privileged."[89] Whistleblowers leaking information to protect the public interest could face "a fine of not more than $10,000 or to imprisonment for a term of not more than six months, or to both," under section 31 of the act.[90]

Privatization industry opposes effect of accountability measures

Given the efforts of the privatization industry to keep information about privatization schemes secret, it is hardly surprising that they strongly oppose any measures intended to improve accountability.

One example of a reasonably effective measure to make privatization accountable was the *Public-Private Partnerships Transparency and Accountability Act* in Manitoba. This legislation would have required a cost-benefit analysis of using a P3 privatization scheme before the procurement process started and would have made it more difficult to keep information about P3s secret. It was repealed in 2017 because the Manitoba PC government argued it was preventing them from using P3s.[91] The fact that legislation that gives the public information about how P3s work is viewed as stopping them from being used speaks volumes.

When the Medical Services Commission of British Columbia attempted to audit 2 private health clinics after allegations of illegal billing, the clinics fought the audit in court.[92] These clinics, Cambie Surgery Centre and the Specialist Referral Clinic, and other private clinics have taken the extreme step of launching a constitutional challenge of the rules on which Canada's Medicare system is based.

Looking at the results of the partial audit that the Medical Services Commission was able to do of the 2 clinics, it is hard not to be cynical about the reasons for the constitutional challenge.

Even though the audit only covered 3 months, it still found almost $500,000 in illegal billings and $66,734 in overlapping claims.[93]

Secrecy and lack of accountability lead to corruption, fraud, and wrongdoing

The lack of accountability that comes with privatization makes corruption, fraud, and other forms of wrongdoing more likely. A bribery scandal involving the award of the contract for the McGill University Health Centre P3 privatization scheme was described by police as the "biggest corruption fraud in the history of Canada."[94]

And privatization of air ambulance services in Ontario allowed those in charge to hide some highly questionable spending at the same time the cost of the service rose.[95]

Then there was a Manitoba experiment with home care privatization in the 1990s that ended after it was revealed that the company running the privatized service was under investigation for fraud and other issues in the United States.[96]

Private colleges are another area where the secrecy and lack of accountability surrounding privatization have led to serious problems. On several occasions, failed private colleges have left students in debt and struggling to finish their education.[97] In 2010, it was revealed that, because of the lower quality of education at private colleges, students who attended them were much more likely to be unable to repay their student loans because of the higher tuition and a greater likelihood that they would be unable to find work.[98] Most recently, agents for private colleges in Canada were reported to be telling international students that paying high fees to enroll in a private college would get them permanent residency in Canada—which is false.[99]

Privatization Increases Income Inequality

Quality public services help reduce income inequality by making services like health care and education affordable for everyone. A 2009 CCPA study found that the value of public services received by a family with the median income is equivalent to 63% of their income.[100] Recent Statistics Canada information on Social Transfers in Kind (STiK) suggests that is still the case, though STiK data only include services like health, education, social services and housing.[101]

When services are privatized, the benefits public services provide are reduced. While the wealthy can afford to buy private services, low- and middle-income people are often forced to go without. The damage to the quality of services means people who can't afford private services slip through the cracks.

A report from the American research centre In the Public Interest identified 5 ways that privatization increases income inequality:

1. Creation of new user fees
2. Increase in existing user fees
3. Privatization of the social safety net
4. Decreased wages and benefits
5. Increased socioeconomic and racial segregation[102]

The United Nations Special Rapporteur on extreme poverty and human rights, Philip Alston, had similar criticisms of privatization in his report of September 2018.[103] He found that, with privatization, “profit is the overriding objective, and considerations such as equality and non-discrimination are inevitably sidelined.”[104] His report echoed concerns raised by other research that “the privatization of social protection often results in the poor being ‘relegated to a new even more underfunded public sector.’ ”[105] There was also recognition of how privatization increases the impact of income inequality in the justice system when “many different charges and penalties are levied with far greater impact on the poor, who then must borrow to pay them or face default.”[106]

Privatization on the Defensive

In spite of the massive resources the privatization industry puts into pressuring governments and the public to privatize more services, privatization is on the defensive. Around the world, many privatization schemes have been reversed. This reflects a growing recognition that privatization has failed to deliver the quality and savings that were promised. Instead the privatization of public services has left most people worse off.

In March 2019, the British Columbia government announced that it was ending most contracting out of home support services in 3 regions.[107] In November 2019, the Nova Scotia government dropped plans to use P3 privatization schemes to redevelop 2 hospitals in Cape Breton and announced that the work would be done publicly.[108]

Across Canada, many municipalities have decided to restore public delivery of water, wastewater, or garbage collection services after privatization resulted in higher costs and poorer service.[109] Over the years, privatization schemes for jails and meat inspection in Ontario, and for schools in Nova Scotia have all ended up being brought back into the public sector.[110]

Even in Britain, where many privatization schemes originated and where the government is ideologically committed to privatization, privatization is on the retreat.

2 years ago, the government announced it would stop using private finance initiatives, the most common form of P3 privatization scheme in Britain.[111] Companies operating privatized rail services are failing faster than the Conservatives can privatize them again.[112]

Conclusion

The more people learn about privatization, the less they like it. They see that when the priority of those delivering the services is maximizing profits, the quality of public services suffers and costs rise. And they particularly dislike the secrecy and lack of accountability that comes with privatization.

What keeps privatization alive are the profits being made by companies that are part of the privatization industry. They have the money and the financial incentive to pour considerable resources into defending privatization.

The people opposing privatization can't match the financial resources of the privatization industry. Hiring expensive lobbyists or sponsoring reports from think tanks is beyond the means of seniors needing home care or parents worried about poorly built P3 schools.

But in spite of its massive resources, the privatization industry can be beaten. The problems with privatization schemes have made privatization a dirty word for many people. Moreover, people trust public services.

That trust is rooted in the fact that, when services are publicly delivered, the priority is the needs of the people relying on them. Given how much people depend on public services like health care, highway maintenance, or food inspection for their safety and well-being, the sense of security people have when services are publicly delivered is important.

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