QUALITY PUBLIC SERVICES YOU CAN COUNT ON

Protect public services we depend on

We enjoy a good quality of life thanks to public services. Canadians know they can count on public services to be accountable, accessible, locally-controlled and a wise investment of tax dollars.

Faced with funding shortfalls and urgent needs to upgrade and expand infrastructure, some municipalities have considered privatization as a quick fix. However privatization, whether through infrastructure public-private partnerships (P3s), or contracted-out services, ends up costing much more. At the same time, corporate profits are put ahead of the public interest. Quality suffers, local control is weakened and over time, inequality increases in our communities.

New report highlights municipal contracting in

Canadian municipalities are realizing there are alternatives to privatization. Federal funding is available for projects using much less expensive public financing through conventional procurement. A growing number of municipalities around the world are also remunicipalizing – or contracting in – services that were previously outsourced, including snow removal, water and wastewater operations, street and sidewalk maintenance, and public transit. Increased costs, decreasing quality of service and greater flexibility with internal resources are the main reasons that lead municipalities to contract in.

Some Canadian municipalities have recognized these risks and are choosing to bring services back in house or build infrastructure through conventional procurement. A new report from the Columbia Institute, *Back in House: Why Local Governments are Bringing Services Back Home*, spotlights 15 recent cases where Canadian municipalities have decided to end a private contract. In 80 per cent of these cases, cost was the primary consideration. Other reasons included poor service quality, lack of transparency, and mismanagement by the private entity.

P3s don't save money or lower risk

Virtually all P3s in Canada have been justified on the basis that they are more efficient and transfer risk to the private sector. Yet, there is no foundation to the claim.

A March 2016 paper from the University of Calgary's School of Public Policy concluded that P3s cost as much as, or even more than, conventional fixed-price procurement arrangements.

The report also found that P3 time frames, when measured correctly, are just as long as public schedules. The study finds that "risks that are supposedly transferred to private partners are never truly transferred." This study adds to a growing body of independent evidence that the "value for money" analyses used to justify P3s are deeply flawed.

In 2014, Ontario's auditor general undertook a comprehensive review of the province's P3 program, and found that 74 P3 projects cost the province $8 billion more than if they had been publicly financed and operated.

Quebec's Charbonneau Commission concluded that the lack of competition and veil of secrecy surrounding the bidding for mega-project P3s opened the door for the kick-back and corruption schemes at Montreal's McGill super-hospital (MUHC). What's more, Quebec think-tank IRIS demonstrated that the province could save as much as $4 billion by buying back the contracts for the MUHC and another Montreal P3 hospital.

Earlier audits in Nova Scotia, New Brunswick, Quebec, British Columbia, and at the federal level have likewise uncovered examples of P3s being more expensive than the public alternative.

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Economist Hugh Mackenzie says in the report *Bad Before, Worse Now*, "P3s waste public money because it costs substantially more to raise capital for public infrastructure indirectly through a P3 than directly through public borrowing." P3s do not make economic sense when governments can borrow at a much lower rate than private investors. Moreover, municipalities are realizing that being stuck in 30 or 40 year contracts with substantial payments and rising liabilities hampers their budgets and reduced their ability to make investments down the road.

As evidence mounts that P3s and contracting out do not save money or reduce risk, privatization proponents, including PPP Canada, continue to argue for municipal P3s.

While the federal Liberals have made a step forward by eliminating the P3 screen for municipalities, they have yet to do the same for public transit money, and are promoting privatization through other means including "asset recycling" and pension fund investment. Both of these mechanisms imply adding a significant profit margin and larger private lending rates to the building costs.

To assist municipalities in exploring the myths and facts about P3s, CUPE has published *Asking the right questions: A guide for municipalities considering P3s*. Written by economist John Loxley, the guide is a useful resource that probes the costs and benefits of P3s, and urges municipalities to examine all the evidence before considering a P3.

Public works best for our communities

Chronic underfunding has created a crisis that is putting enormous pressure on municipalities to privatize city services and infrastructure regardless of the detrimental impact it will have on future city budgets and a community's quality of life.

In light of mounting evidence that privatization of public services is not in the public interest, new federal infrastructure funds – including for water and wastewater facilities, public transit and green infrastructure projects – should be allocated to support municipalities maintaining public ownership and control of facilities.

Maintaining public ownership and control of municipal utilities, services and infrastructure is essential to ensure democratic, equitable and thriving communities.

For more information, including copies of *Back in House and Asking the right questions*, visit **cupe.ca/privatization**

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May 2016 copesepu