Dollars and democracy

Canadians pay the price of privatization

CUPE's 2001 Annual Report on Privatization

It's costing us our rights

It's not just a question of dollars and sense. It goes deeper than the bottom line. It's really about community and citizenship, about belonging and having a voice.

Advocates for privatization have always shied away from a discussion of values. They preferred to talk about savings and efficiencies. They pretended you could cut staff without cutting corners.

But a decade later, it has been clearly demonstrated that privatization costs more. So now they no longer pretend it's about saving money. Now they pretend it's about expertise, and global competitiveness, and ensuring that regulators can enforce regulations.

In fact, it's about what it's always been about. Reducing the role of government in order to increase corporate power and profits.

This year's *Annual Report on Privatization* again documents how contracting out and public private 'partnerships' cost consumers, taxpayers and communities more money. It demonstrates how access, safety and accountability are threatened when the private sector and the profit motive replace the public sector and the common good.

But it goes beyond the facts and figures to highlight the fundamental threat that increased privatization represents to our quality of life and our democratic future. And it underlines the federal role – through its actions and its inaction – in promoting privatization.

CUPE joins with the Canadians interviewed in this report in calling on our governments to govern in the public interest. We reject moves to convert vital public services into commercial transactions that treat our rights as goods. And we pledge our continued efforts to ensure that every resident of Canada – and every citizen of this planet – can count on high quality public services that will allow them to fully participate in shaping our collective future.

It's called democracy.

Judy Darcy
National President
Canadian Union of Public Employees

CUPE National President
Judy Darcy
Photo: Paul Couvrette

Ce rapport est aussi disponible en français.

The Canadian Union of Public Employees is Canada's largest union, representing one half million women and men who work in health care, education, municipalities, social services, libraries, child care, utilities, transportation, emergency services and airlines.

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Methodological Note on Polling Data

CUPE commissioned EKOS Research to conduct a Survey of Canadian Attitudes to Privatization. A telephone survey of 1014 Canadians randomly selected was undertaken between January 12 and 29, 2001. A sample of this size yields a maximum error estimate of 3.1 per cent, 19 times out of 20.

The Vector Poll (cited on page 69) was conducted from December 27, 2000 to January 10, 2001, with 1007 adults responding and a maximum error estimate of 3.1 per cent, 19 times out of 20.

Report Highlights

The high cost of privatization

The tally sheet keeps getting longer.

As the bills come due for sold-off services, Canadians are feeling the pinch. Not just in their wallets – although privatization almost always costs taxpayers more. As this report shows, Canadians are also paying the price of public services privatization in many other ways. Community safety nets erode, access to services is limited, environmental and public health is compromised and the services that bridge the gaps collapse, diminishing equity and democracy. Those who rely most on public services are hit hardest, including women, people of colour, Aboriginal communities, people with disabilities and others pushed to the margins.

Pocketing the windfall profits are corporations pushing hard to get in on the services 'market' by pitching phony public private 'partnerships' or all-out privatization.

What seems to be a shifting target has firm corporate roots. Older Canadians tend to see privatization as the threat. For younger Canadians, it's globalization. In fact, it's two sides of the same coin, leading to increased corporate control and a reduced role for governments, for citizens and for local communities.

Some governments, backed into a financial corner, see privatization as the only way out of budgetary belt-tightening. Other governments dive eagerly into privatization schemes, even if they're swimming in surplus. Mounting evidence from home and abroad shows elected leaders have been sold a bill of goods about 'government getting out of the way,' 'cutting red tape,' 'private sector efficiency and expertise', topped off by promised savings. The sell-off starts at the federal level.

Federal pushers

The federal retreat from government's role as funder, provider and promoter of public services is unprecedented. Directly and indirectly, the federal government is paving the way for privatization at all levels. Deep funding cuts for health, education and social assistance have left provincial budgets with shortfalls that open the door to private takeovers of services. The cuts hand pro-privatization provinces the perfect excuse to sell off services or download them to municipalities ill-equipped to pay.

At the same time, the federal Liberals are unabashedly privatizing services and promoting privateers, giving corporations a role in water infrastructure plans and putting the private sector in charge of student loans and university research, while sitting on the sidelines as private health care encroaches on *Canada Health Act* guarantees.

Trade disagreement

The Liberals are using international trade as a further vehicle to push privatization. Corporate access to public services is driving negotiations for the *General Agreement on Trade in Services* and the Free Trade Area of the Americas. The *North American Free Trade Agreement*'s investor state provisions entrench unheard of business power to challenge government's ability to regulate in the public interest and provide public services. The FTAA is being built with similar investor state rules.

The Canadian government's promises that health and education are not on the GATS table do not reflect the reality of talks behind closed doors. New analysis indicates crucial components of Medicare – including public health insurance – aren't being shielded from the corporate predators, leaving Canadians to wonder what else is being traded away.

Corporate U

The education 'industry' is high on corporate shopping lists, and Ontario's private university law lets them set up their own shop. A growing number of private education businesses are setting up campuses both virtual and real. New Brunswick has also opened its doors, and Alberta businesses are gaining degree-granting powers. These moves threaten an already-weakened public post-secondary system.

Despite corporate and government claims, public funds will be diverted into private institutions – everything from student loans to research grants and tax breaks. These funds will prop up institutions that charge exorbitant tuition fees to provide a narrow niche of business-oriented programs that won't meet the growing need for quality education.

Profiting from care

Canada's aging population is going to need increasing amounts of care. Long-term care corporations see this as a bonanza. The private sector role in long-term care is steadily increasing, with a handful of corporations playing a large role. Those corporations want to get in on the guaranteed stream of public funding that comes with long-term care.

Private long-term care scores lower than public care on almost every count. Private care costs more and delivers poor-quality patient care. Extremely low wages in private care facilities lead to high staff turnover, threatening continuity and quality of care. Redirecting government funding into publicly owned and operated facilities and expanding the network of continuing care would provide a better future for Canada's seniors.

Electrical utilities

Deregulation of electrical utilities has sparked a storm of problems across North America and in Britain. Promises that competition will make electricity generation and delivery more efficient, which in turn will lead to lower electricity prices and greater consumer choice, have evaporated as consumers confront skyrocketing bills. Price rigging was rampant in the deregulated British market and in California deregulation has led to blackouts and price hikes.

These and other failed deregulation experiments show electricity is not a commodity that can be stored, bought and sold like others. Yet Alberta, Ontario and other Canadian provinces forge ahead with deregulation schemes. Equally dangerous, deregulation exposes public utilities to privatization, as a handful of huge multinational corporations make their move to cash in on higher prices. Public utilities, many of which invest dividends back in the community, will be converted into profit-making ventures.

Child care

A growing body of undisputed evidence shows non-profit child care consistently delivers much higher quality care than private, for-profit providers. Study after study demonstrates the widespread social and economic benefits of quality child care. Yet the Canadian government persists in breaking its promise for a national, public child care program. Québec's public program and new innovations in British Columbia are models of accessible, high quality care. Meanwhile, Alberta and Ontario are venturing ever further down the for-profit road.

Canada's patchwork system means quality of care suffers when there's no coherent plan and inadequate funding. A recent national study shows the links between poor quality and for-profit care. The highest quality of care is found in not-for-profit facilities with better paid staff, with quality also linked to higher funding levels and at least two years of specialized staff training.

UK water exposed

Privatization pushers have long argued privatized British water is the ideal model, with its allegedly high level of infrastructure investment and strong regulation. New research shows that the British companies underinvested in infrastructure, while overpaying shareholders. The vastly undervalued sale price of Britain's water system provided a solid foundation for further profit. The companies were able to slip through successive price hikes by overstating their investment plans, then failing to deliver.

While the water regulator has finally clamped down, it is only because of the enormous problems with privatization. Price caps introduced in 1999 have spurred some water companies to get out of the business, as their profit margins shrink. Cities in the United States are also turning down or driving out water corporations, leaving privatization advocates on shaky ground. Yet the corporations continue to attempt to break into the Canadian market, with limited success.

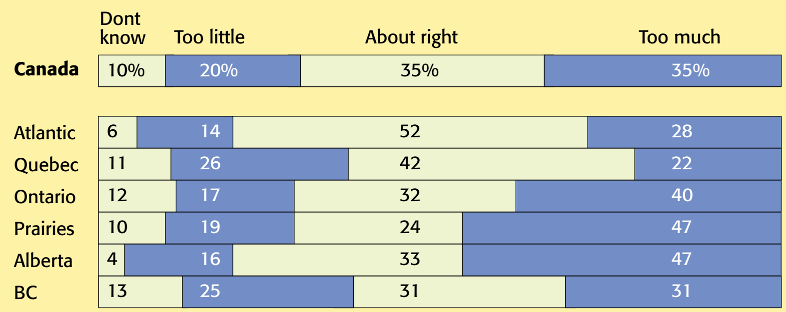
To know it is to oppose it

The greater your experience with privatization, the less your support for more of it. That's the conclusion of a poll conducted for CUPE by EKOS Research.

Whatever the *National Post* might have you believe, it's clear that Canadians have little appetite for increased privatization of public services. In fact, in most provinces, those who think we've seen too much privatization outnumber those who would support more by a margin of more than two to one. And the Canadians that have the greatest exposure to privatization are the strongest in their opposition.

In Ontario, 40 per cent of respondents indicate there is too much privatization in Canada. In Alberta, the margin of those concerned about the level of privatization is three to one over those who would welcome more.

Thinking about current level of privatization of services that used to be delivered by the public sector, do you think there has been too little, too much or about the right level of privatization in Canada?



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Public dividends

Canadians are confronting the high cost of privatization every day, on many fronts. Governments at all levels must strengthen, not sell off, public services. Action now will stop the harm privatization causes to Canadians' quality of life. Costly privatization experiments from around the globe show for-profit services don't work.

Reinvestment in public services and public infrastructure must start immediately, with guarantees of adequate funding. Public investments must be directed to public sector delivery, ending the public subsidization of corporate profits and assuring access to and accountability of public services. Workers, on the front lines in countless services, must play a key role in strengthening public services and must know their rights are protected.

Democratic, healthy communities are what public services are all about. Investing in public services pays dividends – a cleaner environment, sustainable jobs, a stronger social safety net, a healthy economy and a vibrant democracy. It's time Canadians were able to reap those benefits, instead of paying privatization's price.

National retreat: Federal government abandons public services

National retreat: Federal government abandons public services

Darrin Qualman on his farm in Dundurn, Saskatchewan
Photos: Cindy Moleski

More than a decade of federal government funding cuts, deregulation and privatization have left a bitter harvest for many Canadians.

"It's the evacuation of rural Canada. You hear that this school is closing, that hospital is being decommissioned. It's getting so you can't keep hockey teams going – there aren't enough kids to draw from anymore," says Darrin Qualman, a farmer from Dundurn, Saskatchewan.

"It's like we've got our very own structural adjustment program. You'd have to threaten developing countries to go down this path, but our government has gone down it gleefully," says Darrin. "It's all there. Deregulate. Privatize. Cut government spending. Move to an export-oriented economy. Take away the safety nets and price controls."

He and other Canadian farmers have seen the federal government withdraw support for agriculture – and are living with the consequences. Public services weakened by the same government retreat make the consequences that much more devastating for rural families.

"Agriculture in Canada has been privatized. We've moved from working through collective agencies and cooperatives with the help of government to an 'every man and woman for themselves' world where market forces reign and government plays no role. So to not have income support, or other services, is deadly.

"It's the same forces threatening services like health care that threaten the family farm. The struggle for family farm agriculture is part of a broader environmental, social and political struggle. It's the same enemy eroding the underpinnings of our society on all fronts."

And it's not just rural Canada that's feeling the impact. Things like deregulated food inspection, plant breeding and drug approval processes affect what's on the dinner table from big cities to the smallest community. In this and many other ways, Darrin sees the federal government's withdrawal as a national tragedy.

"In western Canada, for at least a hundred years we had policies that would move people into rural Canada and build infrastructure and services like railways, water, hospitals, roads. Somewhere in the late 80s, the government – without consulting or telling Canadians – reversed that century-old plan of a vibrant and populated rural Canada. Now they're just depopulating it."

"I think we need to frighten – not coax – the government back to their traditional place where they will stand up for citizens against corporate pressure. They have a role to play in providing services and protecting us from the worst of the market."

It's a path they've mapped on their own, without involving the Canadians it's going to affect. Program by program, budget by budget, the federal government is retreating from its responsibility to develop, support and promote public services. Funding cuts for social programs, downloaded responsibilities, deregulation, conditional funding and lax enforcement open the door to privatization on many fronts.

Those pushing privatization urge the government to just sit back and steer, while the private sector does the rowing. This fundamental policy shift leaves many Canadians wondering just who's at the helm.

Abandoning their federal leadership role in supporting public services sends a dangerous signal to other levels of government – and has immediate impacts on those most in need. Well-funded public services, social programs and public infrastructure play a vital role in bridging the gap between the rich and poor by making quality services universally accessible.

By actively promoting privatization of public services, the federal government risks widening that gap. From affordable housing to health care, from safe drinking water to child care, the federal government is backing away from its duties, forcing Canadians to pay the high costs of its decision to embrace privatization.

Funding cuts set the stage

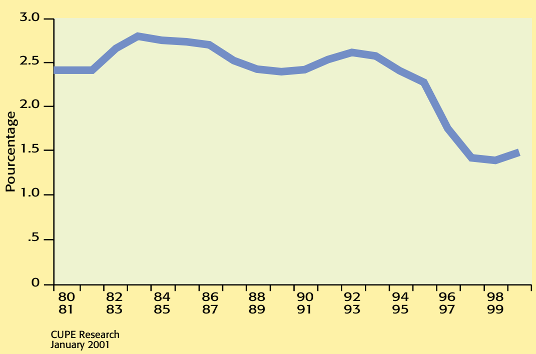
Shrinking federal funding for health care, post-secondary education and social services is a prime example of the government shirking its responsibilities. In 1996 the federal government cut cash transfers to the provinces for health, post-secondary education and social services.

The results of the Canada Health and Social Transfer cuts were immediate. Many provinces in turn cut their funding to social programs – in particular social assistance. The outcry grew as emergency rooms overflowed, welfare payments were slashed and tuition fees soared. Weakened services became more vulnerable to privatization and less accessible to all Canadians. For provincial governments eager to embrace privatization, the cuts were a convenient excuse to usher in the corporations.

The CHST replaced the Established Programs Financing transfer (EPF), which had provided cash transfers and tax points to the provinces for health care and post-secondary education, and the Canada Assistance Plan (CAP), which provided funding for social assistance and certain social services.

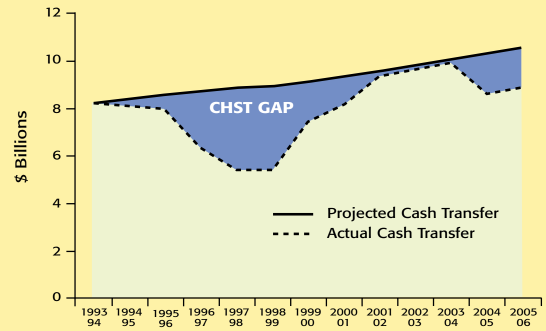
The 1996-97 CHST cash grant was $3.7 billion less than the combined EPF and CAP cash grant the previous year. The EPF/CAP cash grant had itself been on a

Federal Cash Transfer
(EPF-CAP/CHST) as a percentage of Gross Domestic Product

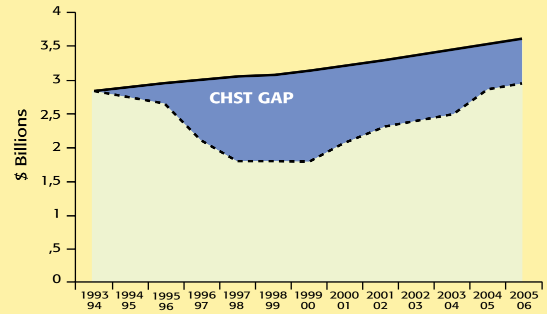


CHST Transfer:
Projected and Actual Amounts

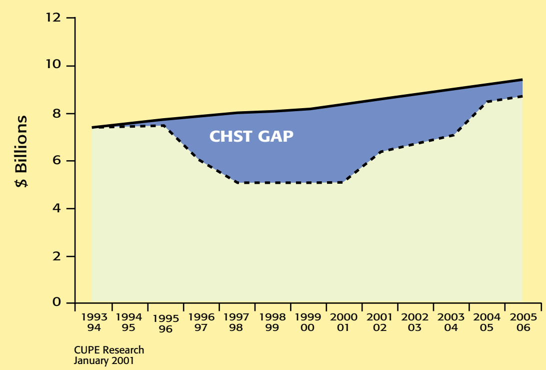
Health Portion



Post-Secondary Education Portion



Social Service Portion

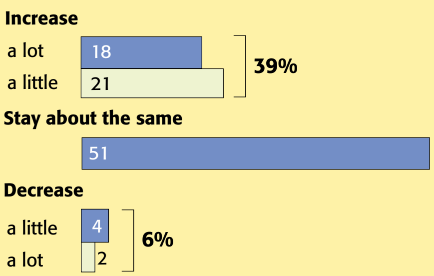


More funding needed for water systems

There is a growing recognition among Canadians that more money needs to be invested in drinking water and wastewater facilities. An EKOS survey shows four in ten (39 per cent) support an increase in public funding for infrastructure, with the highest levels of support in Ontario.

Thinking about the level of public funding for water infrastructure, do you think it should increase, decrease, or stay the same?

Public Spending for Water Infrastructure



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downward spiral under the Liberal government. Measured as a proportion of the overall economy, the federal cash transfer for health care, post-secondary education and social services has dropped dramatically under the Liberals. With declining funding and a growing population, it's no wonder these public services are stretched to the limit.

Over the past few years, a healthier economy combined with reduced program spending and severely restricted access to Employment Insurance benefits means the federal surplus has grown rapidly. Enjoying the largest surplus in history, the federal government has bent to pressure and restored some health care funding. However, the boost in payments to the provinces announced in the last two budgets and the October 2000 mini-budget doesn't come close to restoring the cuts.

The 1999 budget announced a health supplement of $11.5 billion over 5 years, while the 2000 budget added $2.5 billion over 5 years for health care and post-secondary education. In September 2000, the federal government agreed to increase CHST funding by $23.4 billion over five years ($2.2 billion of which is for early childhood development). This last cash injection answered the demand of the provincial premiers to raise the amount of cash to pre-CHST levels, which required an additional $4.2 billion a year.

While the supplements are a major cash infusion, they still don't restore the severe cuts of the preceding years. Since 1993, the cumulative effect of the reduced level of funding for core social programs has been massive: almost $25 billion has been diverted from social programs, contributing to the massive surplus that's being awarded to well-off Canadians in the form of tax cuts.

Diminishing cash transfers mean an even more timid federal role in public services. The cash transfer gives the federal government leverage to enforce national standards — the principles of Medicare, for example. The power to withhold cash is the best weapon the federal government has to uphold standards.

Equally disturbing, there is little to stop restored funding from being funneled to private corporations. In the wake of federal cuts, provinces were forced to take on a larger share of health and other social spending themselves, cut spending or look for "alternative" ways of delivering services and funding infrastructure.

Unless the federal government acts to break the privatization pattern, increasing federal transfers to a province such as Alberta doesn't guarantee the public health system will be strengthened. The Klein government is already well down the path of health care spending cuts and privatization – with little interference from Ottawa. Any new funds could subsidize costs for private clinics instead of rebuilding the public system.

Block funding disguises depth of cuts

The nature of the CHST helps mask the cuts, and the federal government has proven masterful at evading the question of just how deep the cuts to each sector have been. Unlike EPF, which was earmarked for health care and post-secondary education, and CAP, which was dedicated to social services and welfare, the CHST is a "block" grant and the provinces are free to divide it up as they see fit. While the move to block funding was supposed to give the provinces more flexibility in administering social programs, it also makes it practically impossible to calculate how much money is going to each of the three major sectors.

The inability to track federal spending over time makes it hard to hold the federal government to account for funding cuts. As the federal Auditor General noted in his 1999 report, "The federal government is not in a position to determine what its total contribution to health care really is… Parliament and the general public do not have a clear picture of the amount of federal funding directed to health care." He goes on to say that while the *Canada Health Act* "articulates health care as a basic right," without the full picture on funding and administration, "Health Canada does not have the information it needs to effectively monitor and report on the extent of compliance with the *Canada Health Act*."

Yet, when it suits the federal government, it will defend its health care record using transfer amounts to back up its arguments. Last spring, Ontario Premier Mike Harris and Prime Minister Chrétien tangled publicly over health care funding. The federal department of finance published a lengthy document defending Ottawa's health care spending record. While the two sides were comparing apples to oranges (Ontario focused solely on cash transfers, while the federal document highlighted the value of tax points), the federal response shines some much needed light on how much money is going to health, education and social assistance (at least according to the federal government).

The department of finance calculated federal funding for health care by dividing up the CHST cash transfer the same way EPF/CAP cash had been divided in the last year of those programs. This formula allocates 43 per cent of the funds to health care, 42 per cent to social services and 15 per cent to post-secondary education and training.

Water funding falls short

The federal government's commitment to supporting water and wastewater systems isn't enough to upgrade and build reliable systems. And in a new twist on previous infrastructure programs, this round opens the door to costly public private partnerships.

The 2000 federal budget renewed an infrastructure program that includes funding for water and wastewater treatment systems. However, the funding is woefully inadequate. The federal commitment (for all infrastructure – not just water systems) totals $2.65 billion over six years. When matched by money from provincial and municipal governments, the fund could reach $7.95 billion. Even if that were all devoted to water, it wouldn't meet the needs of aging and decaying water systems.

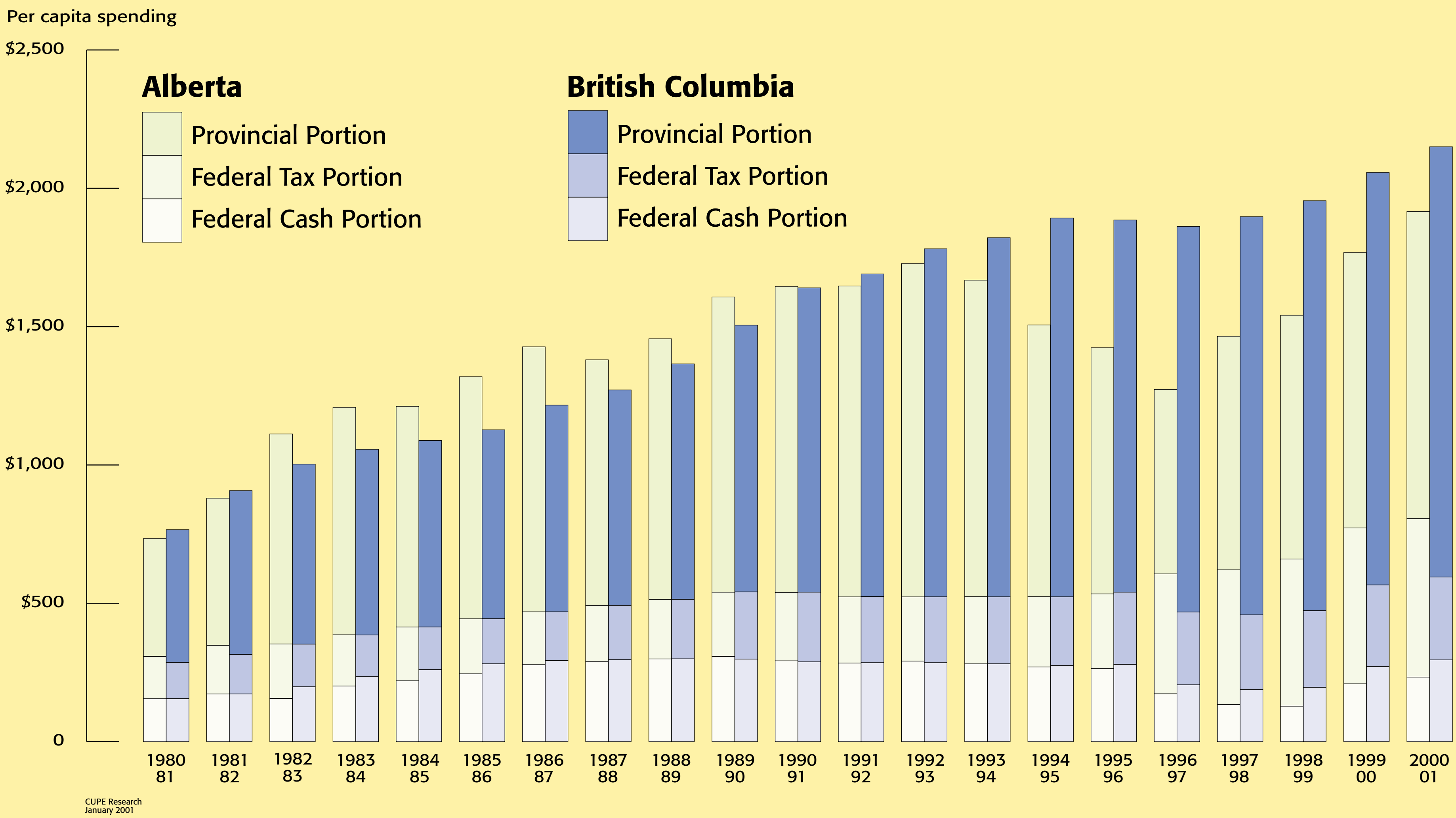
The shortfall comes as the need for new investment grows ever-more pressing. Canadian cities and towns need more than $5 billion a year for the next decade to meet water and wastewater investment needs, according to the Federation of Canadian Municipalities. The Canadian Water and Wastewater Association says it's $6 billion a year for 15 years.

At the same time, the infrastructure program goes beyond the federal-provincial-municipal partnerships of the past to include private sector participation. And the private sector just can't wait to get involved.

The Canadian Council for Public-Private Partnerships calls the new infrastructure plan "a program that has been designed to include private sector partners and innovation in finance, delivery and services". In February, the Council invited Lucienne Robillard, the federal minister responsible for infrastructure, to tell them "where she sees the private sector playing a role in providing the infrastructure required to service this country in the future."

A 1996 Federation of Canadian Municipalities study showed that water distribution and supply systems were on average 37 and 36 years old respectively while sewer collections systems were an average 42 years old. The FCM called the new infrastructure program "a good down-payment" but simply not enough to meet long-term demands.

Comparison of Health Care Spending between Alberta and British Columbia



Using the department's formula – and then projecting the transfers as if they had been maintained at their highest level and adjusted for inflation – the serious funding shortfall becomes evident. While the projected transfers rise steadily and predictably, the actual cash transfers fluctuate unpredictably from year to year, creating havoc in the programs they fund.

CUPE Research has calculated this shortfall in transfer payments. The CHST gap can be seen on page 3 and in the table on page 12.

Erratic funding threatens future public planning

The erratic funding to health, education and social assistance has sparked very different reactions from the provinces. While some provinces have attempted to maintain social spending levels despite the federal cuts, others have taken the federal cuts as a cue to slash their own programs.

The health care spending patterns of British Columbia and Alberta are a clear example of the contrasting provincial responses to the cuts. BC enjoyed a smooth, steady increase in annual spending until just before the introduction of the CHST, in 1996-97. Then spending leveled off and even dipped slightly before continuing the upward trend.

In Alberta, by contrast, spending was also on an upward trend in the 1980s, but the annual changes were not as smooth as in BC. Then, as federal cash transfers began to level off and decline in the early 1990s, provincial health spending followed suit. By the time the CHST cuts were introduced, provincial spending had been on a downward spiral for four years, and bottomed out in 1996-97. In that year, per capita health spending in Alberta was about $1,200 a year, a third less than in BC.

Alberta did not go nearly as far as BC to increase provincial health care spending to make up for the federal cuts. Instead Alberta has been in the forefront of encouraging the growth of private health care clinics as the solution to shortcomings in the public health care system. Last year, ignoring provincial and

Industry Canada peddles P3s

Some of the most eager federal promoters of privatization can be found at Industry Canada. This federal department is actively promoting public private partnerships (P3s) in public infrastructure, and is working to grease the wheels for Canadian businesses interested in making money from public services at home and abroad.

To make it easier for would-be shoppers, Industry Canada is co-sponsoring a catalogue of P3s with the Canadian Council for Public-Private Partnerships, as well as a guide for "transitioning" workers into privatized operations.

Industry Canada is also publishing its own inventory of P3s, called *Canadian Excellence in Public-Private Infrastructure*. The guide hopes to "position Canada as a world leader in PPP" and offers Canadian companies "a unique opportunity to gain extensive international exposure."

Urging businesses to buy into the guide, Industry Canada promises that "as a project sponsor you can boast about your 'signature' P3 project in a document that will be distributed world-wide through Canadian embassies, high commissions and consulates."

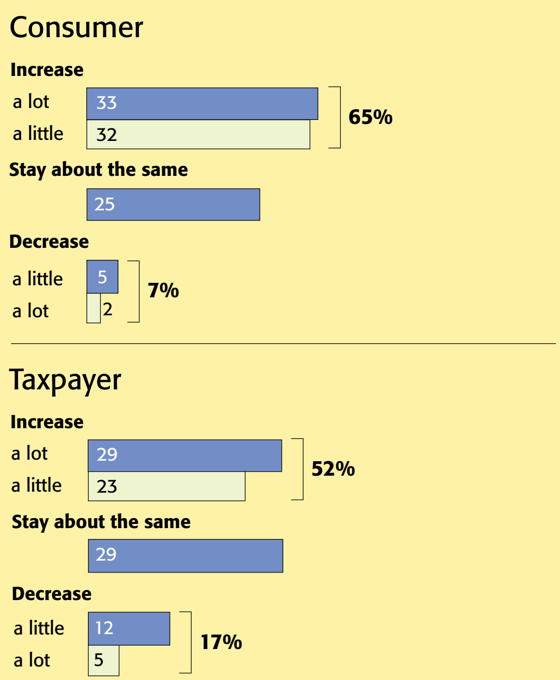
The document's targeted markets cover a wide variety of bases: "government and private sector decision makers in North America, Asia, Latin America and Eastern Europe; International trade shows and Team Canada trade missions; International Financial Institutions; and Canadian provincial and municipal governments."

While Industry Canada is clearly open for business, it appears to be closed to the idea of supporting publicly owned and operated services.

Private highways costly for drivers, taxpayers

For all the talk about cutting costs, Canadians see private highways as a double whammy, costing them more as drivers and as taxpayers. Two thirds say costs to consumers will rise while more than half say taxpayers will also end up paying more. An EKOS survey shows concern is greatest among those aged 45 to 64 where 77 per cent say the cost to consumers will increase.

What about the impact on costs to the (...)?
with private-public ventures in highways?
Do you think the costs will increase, decrease, or stay the same?



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cross-Canada protest, Ralph Klein's government passed Bill 11, which will allow overnight stays in private health clinics, fuelling the growth of private hospitals. Meanwhile, British Columbia endeavoured to maintain health care spending, recognizing the great social need for health services. The BC government took a courageous stand, considering it has had to run deficit budgets in recent years, and in fact has come under severe criticism from right-wing analysts for failing to "get its finances under control."

The growth of private sector involvement in Alberta's public services illustrates the pitfalls of reduced federal government transfers for health, post-secondary education, social assistance and social programs. By starving public programs of sufficient funds public agencies are encouraged to look to the private sector, despite the higher costs, restricted access and reduced accountability such schemes entail.

Local governments pressured to privatize

Provinces forced to make up the shortfall in federal cash transfers have in turn downloaded responsibilities and costs onto local governments. As a result, municipalities are struggling to cover the costs associated with the growing needs for local public and social services.

Municipalities are facing tough financial prospects. They are feeling the fallout from federal funding cuts. Poor Canadians are increasingly forced to rely on local, community services. Many local governments are also facing the need for massive reinvestment in their physical infrastructure, to ensure services such as safe drinking water and reliable public transit. Yet local governments have a limited ability to raise revenue, magnifying all of these problems.

Nowhere is the federal government more clearly responsible than in the area of housing, where cuts to federal non-profit housing programs contributed greatly to the drastic rise in poverty and in homelessness. In the case of affordable housing, private markets have failed those seeking a place to live. Municipal governments, especially in urban centres, face spiralling costs associated with caring for the growing numbers of the poor and homeless.

In the context of this fiscal squeeze more local governments are looking to private partners in a misguided belief that privatizing public services will lower their costs. Yet any savings pale in comparison to the long-term costs.

The trickle-down effect of federal cuts has created a sea of trouble at the local and provincial level. This is not the social and economic leadership role the federal government should be playing.

Tips from the federal government: Ways to push privatization

Refuse to enforce or strengthen the *Canada Health Act*

From Medicare cops that can't stop the spread of private health care to poorly-policed health care spending, Health Canada is doing little to defend and expand public health care. Instead, the federal government is sitting by while Bill 11 is implemented in Alberta and private health providers gain a toehold here and in other provinces.

The government is also ignoring calls to expand the public health care system to include home care, a national prescription drug plan and long-term care. All these services are now largely privately provided at a high cost to individuals – and providing high profit to corporations.

Underfund infrastructure while inviting in the private sector

The 2000 Federal Budget renewed an infrastructure program that includes funding for water and wastewater treatment systems. However, the funding is woefully inadequate. At the same time, the infrastructure program goes beyond the federal-provincial-municipal partnerships of the past to include private sector "participation."

Cut federal funding for health, post-secondary education and social services

The cuts force provincial and municipal governments to do everything from offloading costs onto individuals through new user fees to offloading services altogether to the private sector.

Introduce tied funds for research

The Canada Foundation for Innovation puts corporations in the drivers' seat when it comes to setting the research agenda for Canadian universities. Only when 60 per cent of funds for a project have been secured from "other" sources – and the source with the deepest pockets and the biggest interest is the private sector – will the other 40 per cent of federal funding flow.

Refuse to introduce a national child care program

A national child care program, one of the Liberal's longest-standing broken promises, would encourage high-quality, cheaper, public child care. For-profit child care doesn't measure up to public care on any count.

Abandon any role in funding social housing

Leaving market forces to prevail leaves millions homeless or at risk of losing their homes. New federal financing for social housing ended in 1993. Since then, the mayors of Canada's 10 largest cities have declared homelessness a national disaster. Government social housing programs are the only way to ensure Canadians have decent, affordable housing.

Promote deregulation

Deregulation led to the development of a private sector monopoly in the Canadian airline industry – and Air Canada's fares are beginning to rise accordingly. Transport Canada unabashedly describes the retreat from providing transportation services: "Deregulation, commercialization and privatization have … combined to sweeten the pot. That's good news for business. Over the past decade, the federal government has introduced major reforms to Canada's transportation system, which has encouraged commercialization of the transportation industry and removed unnecessary government regulations."

From transportation to food inspection and beyond, the federal government has a very necessary regulatory role to play. Industry 'self-regulation' will not protect the health and safety of Canadians.

Sign away your rights through international trade agreements

Negotiations underway around the General Agreement on Trade in Services will give foreign-based private corporations the "right" to gain access to the delivery of public services including education and health care.

Privatization: Coming soon to a federal service near you

Regulation and inspection

The federal government is downgrading its role in regulation and inspection of a wide variety of services including food inspection, protection of our national parks, environmental and consumer protection, transportation safety, health and safety and the inspection of goods transported across our borders. The government is compromising public safety by shifting its responsibility from one of enforcement to one of monitoring, leaving private firms to regulate themselves. This erosion of power is exacerbated by lack of training, staff shortages and other limited resources – putting workers at increased risk.

Job training

The government is planning a privately-run agency to co-ordinate and upgrade the training and skills of Canada's workforce for the 'new economy'. The "Enterprise Agency" will swallow up services currently provided by both Industry Canada and Human Resources Development. To avoid federal-provincial conflict, the agency is expected to be run by the private sector with public funds.

Firearms registry

Federal plans to privatize the gun registration will hand work currently performed by public service workers in conjunction with the RCMP to the private sector. This plan raises serious concerns about the impact on the confidentiality required in the processing of such personal information.

DND supply

Private Canadian and transnational corporations will soon take over most logistics functions for the Department of National Defence, in one of the largest federal privatization initiatives yet. In a startling move, the private companies are being invited to help write the contract. The deal will provide another foothold for corporations to take over public support services in government departments at the national, provincial/territorial and municipal levels, diverting a large amount of public spending to private pockets.

E-government

The federal government wants to connect as many Canadians as possible to the internet – and then force them to access services online. The government will pay a private corporation to deliver internet service for federal, as well as provincial and municipal governments. More and more public services will be delivered electronically by private for-profit monopolies instead of public service workers reporting to publicly accountable politicians. This raises serious concerns about privacy, access to services and how public dollars are spent.

Canada Post information technology

Canada Post has solicited bids from companies interested in partnering with the crown corporation to set up a new information technology company. This new company will be responsible for the development and implementation of new technology as well as IT maintenance and support and infrastructure services, work currently done by public sector employees.

Source: Public Service Alliance of Canada

Student loans stay in private hands

Management of Canada's public student loans program has gone from one set of private hands to another. In the wake of a costly and unsuccessful attempt to have several of Canada's chartered banks finance the program, Human Resources Development Canada has contracted with two private companies – Edulinx and BDP Business Data Services Ltd. – to service loans to students at public and private institutions respectively.

The 1995 deal with the big banks paid the institutions a 5 per cent 'risk premium' to finance and collect student loans – a premium that cost taxpayers more than $300 million over the deal's five-year life. When the agreement expired, the government wanted to negotiate another five-year deal. But the banks wanted even more money – and the government appeared to acquiesce, reportedly offering premiums of 7 per cent for public institutions and 23 per cent for private institutions.

The proposed new deal included a possible $100 million in additional payments for the 1995-2000 period. However, even that wasn't enough to reach agreement. The banks stopped running the CSLP on February 28, 2001. Canada student loans are once again financed by the federal government. But they're still being managed privately.

The two companies took over the loans in March 2001, winning three-year service contracts valued at $91.6 million for public institutions, and $45.7 million for private institutions. According to the government, the companies will administer loan payments, manage accounts, oversee the consolidation and repayment of loans and manage student debt.

Policy decisions – such as eligibility and interest rates – are HRDC's territory. But it's a definite foot in the door for private interests. Edulinx's two shareholders are the CIBC and the American student loan corporation USA Group. BDP is a division of the for-profit service provider FirstService Corporation.

BDP's portfolio also includes a five-year contract to run British Columbia's student loans. The province contracted out administration of its loans program in October 2000.

Research foundation lets corporations call the shots

The federal government is supporting further corporate incursion into public education by channeling nearly $3.1 billion into a new funding agent, the Canada Foundation for Innovation. The foundation funds the "development, renewal and building of world-class research infrastructure" – with one small hitch. Find a co-sponsor.

There isn't one arts or social science project on the Canada Foundation for Innovation's latest list of 971 awards – and it's no surprise. The foundation only kicks in its 40 per cent contribution once the other 60 per cent of the funding has been secured. While the foundation lists individuals and provincial governments as potential donors, these sources aren't nearly as lucrative – or as willing – as corporations eager to buy a little publicly-subsidized research.

The CFI was one of the jewels in the federal government's much-hyped 'reinvestment' in Canadian research. That reinvestment has come, however, in a climate where innovation means marketability, and eligibility comes only if you have corporate support. The CFI structure, which allows private corporations to direct public funds, entrenches public private partnerships in the post-secondary system – essentially forcing even more corporate influence on university research.

The other federal investment, the Canada Research Chairs program, allocates nearly two thirds of the chairs to just ten 'elite' universities. Mirroring the corporate focus of the CFI, a mere 20 per cent of the chairs will be allocated to the humanities – a division that doesn't reflect the reality that 53 per cent of Canadian university faculty are involved in humanities research.

According to the Canadian Federation of Students, "public research in Canada has been weakened by a national research policy that favours private for-profit research over research done in the public interest." Proprietary interests become paramount. "[T]axpayers end up funding the costly preliminary stages of enquiry only to see that innovation become private property when the research is complete." Not just the product, but the subsequent profits, are taxpayer-funded.

Perhaps not surprisingly, the president and CEO of the CFI is Dr. David Strangway. Strangway's pet project is a fully private undergraduate university in Squamish, BC that will undoubtedly find back-door public subsidies.

Federal CHST Transfers — Calculation of Health, PSE and Social Services Portions

$ millions

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Total Transfer										
Cash	14,742	12,500	12,500	14,500	15,500	18,300	19,100	19,800	20,400	21,000
less Budget 1999 Health Supplement				2000	2000	2500	2500	2500		
less Budget 2000 Health & PSE Supplement					1,000	500	500	500		
less Sept. 2000 Accord ECD Fund						300	400	500	500	500
Total Non-Earmarked CHST Cash	14,742	12,500	12,500	12,500	12,500	15,000	15,700	16,300	19,900	20,500
Tax	12,158	13,339	14,390	15,474	15,872	15,701	16,390	17,159	18,128	18,947
Total	26,900	25,839	26,890	29,974	31,372	34,001	35,490	36,959	38,528	39,947
Health Portion										
Cash	6,354	5,388	5,388	5,388	5,388	6,465	6,767	7,025	8,577	8,835
Budget 1999 Cash Supplement				2,000	2,000	2,500	2,500	2,500		
Budget 2000 Cash Supplement					750	375	375	375		
Total Cash	6,354	5,388	5,388	7,388	8,138	9,340	9,642	9,900	8,577	8,835
Tax	8,255	9,057	9,771	10,507	10,777	10,661	11,129	11,651	12,309	12,865
Total	14,609	14,445	15,158	17,895	18,915	20,001	20,771	21,551	20,886	21,700
PSE Portion										
Cash	2,138	1,813	1,813	1,813	1,813	2,175	2,276	2,363	2,886	2,972
Budget 2000 Cash Supplement					250	125	125	125		
Total Cash	2,138	1,813	1,813	1,813	2,063	2,300	2,401	2,488	2,886	2,972
Tax	3,903	4,282	4,619	4,967	5,095	5,040	5,261	5,508	5,819	6,082
Total	6,040	6,094	6,432	6,780	7,157	7,340	7,663	7,997	8,705	9,054
Social Services Portion										
Cash	6,251	5,300	5,300	5,300	5,300	6,360	6,657	6,911	8,438	8,692
Sept. 2000 Accord ECD Fund						300	400	500	500	500
Total	6,251	5,300	5,300	5,300	5,300	6,660	7,057	7,411	8,938	9,192

NB: This table allocates the health, post-secondary education and social services portions (cash and tax) in the same proportion as occurred in the last year of Established Program Financing and the Canada Assistance Plan transfers, 1995-96.
Provincial shares of the 1999 Cash Supplement are from the Department of Finance.
Provincial shares of the 2000 Cash Supplement are estimates, and incorporate the following assumptions: the shares are distributed on an equal per-capita basis, using Department of Finance population projections; 75% of the supplement is earmarked for health care, 25% for PSE.
Provincial shares of the September 2000 Early Childhood Development Fund are estimates. The shares are distributed on an equal per-capita basis, and uses Department of Finance population projections.

Private lessons: For-profits sell degrees

Private lessons: For-profits sell degrees

Shokoufeh Sakhi, student at Toronto's York University and member, CUPE 3903
Photos: Brian Willer

If Shokoufeh Sakhi were starting her life in Ontario today, she doesn't know if she'd be where she is now.

Eight years ago, Shokoufeh arrived in Toronto, a refugee single mother with an 11-year-old son. With no money and an incomplete high school diploma, she had fled her native Iran after serving an eight-year prison term for demanding freedom of speech and a more open political regime.

Today, she is working with marginalized, low-income youth to help them get into university or college and find jobs, as part of her masters' studies at York University. The young people she meets hold up a mirror to Shokoufeh, reminding her what access to education has meant to her.

"In the applicants you see similar stories to mine – refugees, single parents, homeless, new immigrants.

"It's amazing. Sitting on the selection committee and meeting them, the stories are heartbreaking. It was so hard to choose from among them, because I could identify with them all. I could see their hope, their vision, and the devastation that would come from rejection.

"And I knew exactly how coming to university could make a big difference in their lives – how it can change their lives, their whole perspective and position, change how they see themselves and how they see the world and relate to others," she says, her excitement for the project alive in her voice.

The excitement, however, is tinged with worry. Shokoufeh and the youth she's helping mentor are about to enter a period when education is thrown into turmoil in Ontario. Many fear the province's new law permitting private, for-profit universities will mortally wound the public education system, bleeding funds from an already anemic system.

"Privatization for me would have meant 'just forget it'," says Shokoufeh. She worries post-secondary privatization will mean higher tuition fees, throwing up an immediate barrier to many students.

"It will create an openly identifiable class division in post-secondary education. It will be obvious and it will be sharp. And it will be like having private health care – there will be those who can pay for the best, and then there will be everyone else.

"It's scary. As it is, I'm drowning in debt. This new plan is taking education out of the reach of people like me. It really looks like you are condemned to stay low and suffer, and then be blamed – 'why don't you try harder'," she says.

"You need lots of support, and you have to push hard to get it. Anything that adds to this load will be too much for people struggling right now. Sometimes all it takes is a feather weight to snap everything."

Shokoufeh knows all about that delicate balance. Since arriving in Canada she's lived on a shoestring budget stretched to the limit, under a government that has methodically eroded support for low-income students.

While living on welfare, she took English as a second language courses and completed her high school.

"I knew what I had to do. I had two options when I came here. One was staying on welfare or finding a low-skill job. The other option was shooting for higher education and getting a degree."

Shokoufeh dodged the first round of government cuts, when single students were cut off welfare. But the next year, the Harris Tories cut welfare for single mothers. She stayed in school, taking a loan she could ill afford and working part-time both on campus and in a convenience store.

Shokoufeh plans to get her PhD and hopes one day to teach. She knows exactly how she got here – and wants to ensure the road stays open for others like her.

"There's nothing wrong with us. We can do it. There are lots of examples like me, who decided to bite the bullet, take the loans and go for it. But some day, the bullet will just become too big to bite."

A license to print degrees – and money

Ontario's law permitting private universities is by far the biggest and most destructive step down the road to privatizing post-secondary education. Unlike corporations trying to crack the market in other provinces case-by-case, for-profit businesses in Ontario will have across-the-board power to grant degrees. This degree-granting status opens up a whole new range of speculative opportunities for corporations, giving them a license to print money as well as degrees.

The law allows corporations to open private, for-profit post-secondary institutions – and leaves the door open for public universities to be converted into private, for-profit enterprises. In passing the law, the government ignored its own advisory panel's advice not to allow private, for-profit universities.

In a climate of massive funding cuts, growing inaccessibility and increased corporate influence on campuses across the country, Ontario's law is a serious blow. Students sit in overcrowded classrooms on understaffed, crumbling campuses while support staff and instructors struggle with increasing workloads.

A recent study by the Canadian Centre for Policy Alternatives ranked Ontario last among the provinces in the quality and accessibility of its colleges and

Task force forces privatization

In lockstep with its private university law, Ontario has introduced a task force designed to further the privatization of service provision on public campuses.

The "Investing in Students Taskforce," announced in September 2000, is charged with "examining options for shared services and identifying best practices for administrative functions such as information technology, procurement and data collection."

Critics are concerned that 'best practices' and other phrases are merely code for contracting out and privatizing services that are a vital part of the campus experience.

The task force's targets include: student financial aid administration; facilities planning, maintenance and use; purchasing; human resources; information technology, including data collection and web-based services; retail operations and ancillary services; registration processes and practices; counseling services; finance and reporting.

Despite the task force's mandate to consult with stakeholders, CUPE members have not been invited to any task force meetings. The task force has, however, consulted with groups who will reinforce its predestined findings, including the Council of Ontario Universities (COU). COU members have committed themselves to yearly reviews of "whether to keep or contract out ancillary operations."

The task force's executive project director is Glenna Carr, past president and current board member of the pro-privatization lobby group the Canadian Council on Public-Private Partnerships. The task force was slated to report to the Minister of Training, Colleges and Universities early in 2001.

"I come from a lower-income family. I worked for two years at minimum wage to save up enough money to get into first year. The result is that I was working 30 hours a week and going to high school. I didn't have many extracurricular activities to get scholarships. So I'm running into debt now. My student loan's still being processed and my fees are due. I've had to come to terms with the fact that I'm not going to graduate with less than $30,000 debt. I'm still working two jobs right now to keep some sort of handle on my debt load. And obviously it's affecting my studies.

"There's no way in hell I'd get an education under the Ontario privatized model. There's just no way. The best thing I could do would be to try and get a 9 to 5 office job and forget about going to university."

"In privatized post-secondary education, corporations will push technology-based corporate skills training even more than they already do. They don't want someone who will ponder the effects of their corporation on society. They want a worker who will help boost their profits."

Ardath Whynacht
First year student
University of King's College
Halifax, Nova Scotia

universities. Tuition fees are higher in Ontario than elsewhere, per capita operating grants to universities are the lowest in the country and private sector money makes up a bigger part of revenue. Permitting private universities will do nothing to improve the situation.

Private post-secondary institutions will push Ontario further down the slippery slope towards education as a corporate training ground – not a space for critical thought and inquiry. Other private institutions have gnawed at the edges of public post-secondary education. Ontario's private universities law will corrode the very core of the public system both in the province and – because of international trade rules – possibly beyond.

Restricting access

Ontario's private universities law bears the title *Postsecondary Choice and Excellence Act*. But given the high tuition fees – upwards of $10,000 per year – choice exists exclusively for those who can afford to pay.

Students in the public post-secondary system are already confronting an accessibility gap that cleaves along class lines. The fissure first appeared after deep funding cuts.

A report published by Statistics Canada and the Council of Ministers of Education found that in 1986 there were no significant differences in participation rates for post-secondary education amongst Canadians from the lowest socio-economic backgrounds and middle-class Canadians. By 1994, a gap had begun to open, with the most well-off Canadians showing "by far the highest university participation rate," at 40 per cent, while the poorest Canadians had the lowest participation rate at 18 per cent. Those in the middle had a participation rate of 25 per cent.

The report concludes that these statistics raise "questions about equity of access," and that people from lower socio-economic backgrounds "must make a relatively greater financial sacrifice to attend university" than those with higher incomes. The report also recognizes that the picture has likely changed since 1994, "given that tuition fees and student debt levels have increased."

And increase they have. Tuition fees are already $29,500 for Canadian students enrolling in the 2000-01 Queen's University masters of business administration program. Deregulated tuition fees for programs such as dentistry and law have skyrocketed. Average tuition fees at the private University of Phoenix's BC 'campus' are $40,800 for a four-year degree (conferred in the United States).

Poor Canadians bear the disproportionate brunt of tuition fee increases, according to the Canadian Association of University Teachers. A recent CAUT study found households in the lowest income categories spent 19 per cent of their after-tax disposable income on tuition fees in 1998, up from 11 per cent in 1992. The 1998 figure is six times more than households in the highest income bracket.

Private universities will further widen the gap between those who can afford education, no matter the cost and those who need post-secondary education the most and can afford it the least. As funds are diverted from public education, tuition fees will continue to rise. Pressure will grow to further deregulate tuition, beyond the so-called 'professional' programs. Market-driven tuition fees will exclude many low- and middle-income students who can't afford the fees – and won't take the risk of assuming an enormous debt burden.

Criminalizing need

Those students who do take a Ontario Student Assistance Program loan to help finance enormous tuition fees face a new regime of punitive measures under the private university law – including fines of up to $25,000 and imprisonment – for offences such as working more than 10 hours per week to supplement loan income, or having a taxable income that does not match the income reported on a loan application.

Yet existing provisions more than address the minority of students who defraud the program. Fully 80 per cent of loans are repaid without incident. Of the students who go into default after 90 days, the vast majority – 93 per cent – end up repaying their loan.

Ironically, the new law may be the government's tacit acknowledgement that loan default rates are much higher at private institutions. The default rate for university students in Ontario is 7.1 per cent, while the rate for students at private vocational schools is 28.9 per cent.

Limited programs, unmet demand

Thick course calendars with a wide range of arts and sciences courses are not a hallmark of private universities. Instead, these corporations focus on business and vocational training, not broad-based education. Ontario's minister of education acknowledges private universities serve a different population: "there is an adult population who are looking for degrees, mainly because they're required in the world of work."

With about 70 per cent of university applications going to arts and science programs, private universities will do little to meet the coming enrolment boom in Ontario. There may be as many as 90,000 new students in Ontario by the end of the decade – due in part to the phase-out of grade 13 over the next two years. In total, enrolment is forecast to increase by as much as 40 per cent in the next decade

The minister of education has told students "at best, private institutions would provide only a few thousand spaces for students." Yet they may serve as a smoke-screen behind which the Ontario government can conceal the under-funding of public institutions.

Draining the public purse

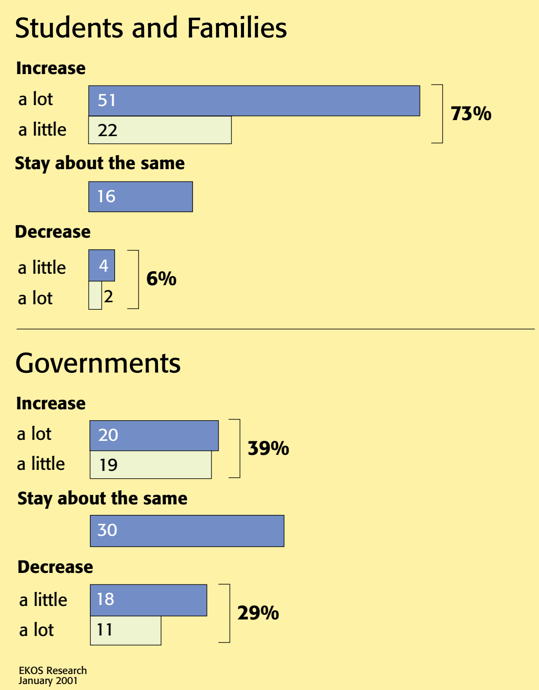
Promoters of private universities claim they won't use public funds, and the Ontario government promises to limit public subsidies to student loans. But experience in the United States explodes the myth of the self-sufficient private university. There, private institutions benefit from direct public subsidies and public student loans to the tune of 30 per cent of total revenue. From tax breaks to research grants, private institutions in Ontario will drain

Students, families hardest hit by private universities

Canadians are clear that private universities will increase the financial burden on students and families. In a poll conducted in January 2001 by EKOS Research, 73 per cent of respondents indicated that costs would rise, more than half saying increase a lot.

The largest group (39 per cent) also believe private universities will increase the costs to governments, with 30 per cent indicating costs will stay about the same and 29 per cent indicating that government spending for post-secondary education will fall.

What about the impact private universities in Canada will have on costs to (...)? Do you think the costs will increase, decrease, or stay the same?



"Here at Western alone they estimate $120 million in infrastructure needs. Across Ontario it's billions. That's where the corporations come in – they'll build a shiny new building, lease it back, make a tidy profit. Meanwhile the public buildings will sit there and decay. The SuperBuild fund has no money for maintenance. What good's the building if you can't clean and maintain it?

"The maintenance people are facing a real crunch: more buildings, more space, more area – and fewer staff. It's not an environment you'd want to work in. We spend a lot of time trying to make things better. But there's a crisis every day."

Rick Graham, vehicle mechanic,
University of Western Ontario
President, CUPE 2361

scarce public dollars from public universities and colleges.

Federal and provincial student loans and Millennium Scholarships will go to students at private universities. Public funds will also be diverted through tax expenditures – student tax credits for education-related expenses. Private institutions will also benefit from tax expenditures as wealthy Canadians take advantage of tax deductions and subsidies for Registered Education Savings Plans, in which sheltered savings grow tax-free until spent on education, and the Canada Education Savings Grant (a tax-free grant of up to $7,200 – for those who have the funds to make a deposit in the first place).

On a larger scale, public funds will go to private institutions through tax deductions for 'charitable' donations – redirecting money that could otherwise have been tax revenue directed to fund public post-secondary education.

Other public funds likely to be tapped include federal and provincial research grants. For-profit institutions will also gain through access to publicly-funded resources such as libraries. In the US, the for-profit University of Phoenix was forced to scrap its plans to open a New Jersey campus in part because of its inadequate library facilities. As the organization representing Ontario faculty notes, "the intent had clearly been for students… to 'free-ride' on public resources – in this case by using public libraries in support of their higher education." Now, Phoenix is looking to Ontario as the home of its next branch.

Crumbling infrastructure

While ribbon-cutting ceremonies are being planned at shiny new private universities, public campuses are deteriorating at an alarming rate. A 1999 report from the Canadian Association of University Business Officers estimates Canadian universities need a bare minimum of $3.6 billion to undertake the most basic repairs to crumbling infrastructure. Of that, an immediate infusion of $1 billion is needed to stop the growing cost of deferred maintenance and prevent further deterioration of facilities.

The Ontario government's response is another fund designed to bankroll public private partnerships – the SuperBuild fund. An estimated $1.8 billion will be spent on the province's colleges and universities. The construction program will begin immediately and continue until 2003, expanding research and teaching space. To be eligible for financing, post-secondary institutions had to compete to prove that the private sector would provide financial backing for their building projects. Funding for operation, maintenance and staffing of these buildings is conspicuously absent.

This lack of funding threatens existing programs and doesn't bode well for working conditions in any new facility. With no additional money for more staff, institutions will beg, borrow and steal from existing programs, and will place even greater pressure on university workers for concessions in their wages, benefits and working conditions.

Deferred maintenance is already a serious issue. At many institutions, structures are literally patched together. At the University of Western Ontario last summer, a steam pipe ruptured in an underground tunnel while children were playing at an outdoor sports camp. The heat melted plastic lamp covers 200 feet down the tunnel, behind two steel fire doors.

"If it had been raining that day, there's a good chance children would have used the tunnel and been seriously hurt or killed," says CUPE 2361 president Rick Graham, a vehicle mechanic at Western who's also the university's self-appointed infrastructure watchdog. He fears there are many other accidents waiting to happen, as maintenance workers try to keep up with the work – and get the funds to do the job right.

"Recently staff fixed a copper water pipe in residence. A two-foot stretch of the pipe they removed had 11 patches on it. We probably replaced an eight foot piece when we should have done the whole line," he says.

Graham has resorted to carrying a patched piece of pipe with him wherever he goes, to illustrate just how immediate – and dangerous – deferred maintenance concerns can be. Letting systems and structures decay until they can no longer be ignored may allow institutions to eke out some short-term savings. But in the long term it leads to much bigger repair bills than regular, preventative maintenance.

Unaccountable U

The Ontario government's plans also create a severe public accountability deficit. Key decisions about accreditation and regulation are handed to an unelected board that deliberates and decides in secret – with no requirement of public debate or consultation.

New operations can be approved by ministerial consent, short-circuiting any public debate that would come from approval by the legislature. The law sets up a 'Quality Assessment Board' process that is far from transparent. There are no provisions for public disclosure of the board's deliberations or decisions, even though no

DeVry to grant degrees

The DeVry Institute of Technology's Toronto branch is eager to apply for degree-granting status when Ontario implements its new law. It's not clear whether the company's chequered past will hurt its chances.

In February 1999, DeVry regained its full eligibility for the Ontario Student Assistance Program (OSAP), after repaying the province $6.9 million in compensation and administration expenses for loans issued improperly between 1993 and 1996.

The province had suspended DeVry for approving student applications with false information – something the corporation called "administrative errors." With these "errors" corrected – and the CEO's assurance that the settlement would have "no material effect on the company's future financial statements" – DeVry once again has an assured supply of public funding to subsidize its private operations.

Another corporation charged with improperly handing out student financial assistance wants to come to Ontario. In March 2000, a US Department of Education audit found the University of Phoenix's academic year didn't meet the definition set out in law, leaving students without enough classroom hours to qualify for the aid they'd received.

The Office of the Inspector General report recommended the university repay US$54.6 million in public student loan funds. Phoenix claimed it had done nothing wrong, but just days before the final audit report was due the corporation agreed to pay the department US$6 million to settle the dispute.

In Alberta, DeVry already has degree-granting powers. Early this year, an order in council quietly handed DeVry's Calgary branch the power to grant degrees in computer information systems, electronics engineering technology and business operations. All three programs are four-year undergraduate degrees.

DeVry Calgary joins five other private colleges accredited to grant degrees, 11 degree-granting institutions from out of province and 140 private training institutions licenced by the Private Vocational Schools Act.

Eager to join the growing crowd is the University of Phoenix, which has announced it wants to open branches in Edmonton and Calgary.

Thomson makes an E-turn

The year 2000 was a boon for media giant Thomson. Early in the new year, the corporation announced the sale of all its newspaper interests save *The Globe and Mail*. The Canadian corporation restructured into four main groups, including Thomson Learning, with the goal of becoming "the world's foremost global e-information and solutions company."

Thomson has bought up several large education businesses, with its eye on the profits waiting to be reaped from the multi-billion dollar academic market, which includes training, testing, distance education, language instruction and information technology.

At least three Canadian universities are interested in the virtual 'solutions' Thomson is involved in selling. McGill University, the University of British Columbia and the University of Toronto are among the 18 members of Universitas 21, a network of universities offering higher education over the internet and satellite television.

In November 2000, Thomson announced it would develop online materials for the venture, which will award degrees, diplomas or certificates bearing the names of all 18 member universities. Public post-secondary institutions seeking new sources of revenue will undoubtedly continue to be courted by the likes of the Thomson Corporation.

Universitas 21 hopes to attract some of the 160 million students expected to enroll in higher education by 2025, getting in on a market worth US$15 billion outside the United States. Thomson Learning will be responsible for course design, content development, testing and assessment, student database management and translation.

Thomson's key acquisitions – costing at least $5.7 billion over the past 5 years – in the training, testing and certification markets, cement their position as a key player in the world of outsourced corporate training.

As more businesses start pushing digital diplomas, education and training will increasingly be delivered and received in isolation. With no need for 'costly' campuses that would permit something beyond virtual interaction, more and more institutions may be tempted to move from bricks to clicks. Yet questions about who is providing education – and assuring its quality – remain unanswered in this relatively unregulated new frontier.

decision can be made until the minister has received a recommendation from the board.

Quality will be measured using 'key performance indicators'. The indicators measure a university's performance by graduation rates, and employment rates six months and two years after graduation. College performances are measured by employment rates six months after graduation, employers' satisfaction with graduates and graduates' satisfaction with their education.

This instrumental view of post-secondary education ignores key factors such as student-teacher ratios, accessibility of education, support of critical inquiry and thought. Many results of post-secondary education cannot easily be measured, becoming evident over a lifetime, not six months.

Re-defining quality in this market-driven way fits the goals of the Ontario Ministry of Education's 2000-2001 business plan, which states "the objective of the post-secondary education program is to offer high quality programs of instruction that enable students to graduate, to obtain employment and to develop a secure financial future."

In addition, there is no guarantee of public accountability in the law – assessments of financial viability aren't a required part of the process of accrediting a new institution. The very real danger exists that students at private post-secondary institutions could lose their user fees and not have access to their transcripts should the business venture fail.

Trade rules create ripple effect

The Ontario government's plans also raise serious concerns about the possible trade implications under both the North American Free Trade Agreement and the General Agreement on Trade in Services (GATS). Whether it's the onerous investor-state provisions of NAFTA's Chapter 11, or the redefinition of what's a public service under the GATS, both trade agreements have the potential to propagate the effects of Ontario's private university law across the country.

Allowing private corporations to operate accredited universities could completely demolish any remnants of a NAFTA shield that may still exist for public higher education, bringing the full force of the trade deal's national treatment and investment provisions to bear on all Canadian post-secondary institutions. Under both NAFTA and the GATS, foreign corporations could claim that public universities receive an unfair subsidy and demand equal treatment.

In an equally disturbing development, the current round of talks to expand the GATS has its sights set on education as an area that must be opened up to "free trade." Global corporations argue that "government monopolies" and "high subsidization of local institutions" have to go in the interest of increasing trade in education.

GATS threatens public education

If the General Agreement on Trade in Services covered education – and post-secondary education is first on the WTO's list – this is what could be in store:

For-profit diplomas
Foreign, for-profit education institutions would have the right to set up in Canada. The GATS guarantees investment rights to foreign corporations, including private schools and universities.

Public funds hijacked for private gain
Government spending on education, including student loans, could not "discriminate" between public and private education providers.

Loss of local control
Foreign corporations couldn't be required to hire locally or have local participation on boards of governors. No residency requirements or preferences for faculty, staff or students would be allowed.

Less Canadian content
Corporations would be free to bring in educational professionals and other workers to staff institutions in Canada, host foreign students and deliver courses across borders through the internet.

Corporate standards
The WTO would review requirements for education professionals and institutions to ensure they were not "more burdensome than necessary to achieve the quality of the service."

Quality threatened
According to a recent report, governments would have to "give degree-granting authority to foreign educational service providers and to ensure that non-governmental bodies exercising delegated governmental authority (such as teachers' colleges or professional associations) recognize degrees and diplomas granted by foreign educational service providers, including for-profit foreign providers."

"When the cod moratorium was called in Newfoundland, the federal government created the Atlantic Groundfish Strategy. TAGS included a package of money for people to access further training and education. Literally overnight the numbers were astounding. All these private colleges popped up. Instead of expanding public institutions, the cash went to these private institutions, that short-sightedly latched onto whatever seemed easy, to rake in the money. So you'd have a tiny community with eight hairdressers. Once the TAGS money stopped, the problems really started. The Career Academy closed leaving literally thousands of students high and dry – no education, a huge debt and nowhere to go. It's a perfect example of how destructive privatized education is."

"International trade deals like the GATS and the FTAA threaten to spread this education 'experience'. Governments won't have the ability to protect other provincial education systems – even if they want to. Whatever minimum restriction is in one province, that's what the bar will get lowered to in other provinces. Ontario's law forces their privatization decision on the rest of the country. A company setting up a private institution in BC could argue for the same treatment they'd get in Ontario. It's a very real threat."

Jen Anthony
Fourth year student
Memorial University, Newfoundland
National Deputy Chairperson, Canadian Federation of Students

PSE by the numbers

- Between 1982-83 and 2000-2001, public funding to post-secondary institutions as a percentage of operating revenue decreased from 74 per cent to 55 per cent. At the same time, tuition fees as a percentage of operating revenue have jumped from 8 per cent to 17 per cent.
- Between 1978 and 1998, spending on post-secondary education as a percentage of gross domestic product dropped from .54 per cent to .2 per cent.
- Since 1993, combined cuts to post-secondary education and training amount to $7 billion.
- According to Statistics Canada, between 1990 and 2000, university tuition fees have increased an average 126 per cent. The average fees for one year of an undergraduate arts program are $3,378.
- Statistics Canada also reports that between 1992-93 and 1997-98 the number of full-time faculty in Canada declined by nearly 10 per cent. The number of part-time faculty increased by six per cent in the same five-year period.
- Student-teacher ratios have increased by more than 15 per cent since 1990.
- The 2000 federal budget contains $58 billion in tax cuts over the next four years. The same budget increases post-secondary education spending by only $600 million over the same time period.

Sources: Statistics Canada, Canadian Federation of Students, Canadian Association of University Teachers

A better deal: Prescription for public post-secondary education

1. Restore the $7 billion cut from post-secondary education and training since 1993, and establish an earmarked federal transfer for PSE and training

2. Establish a national system of student grants – not loans

3. Introduce a national *Post Secondary Education Act*, which will prohibit the establishment of private, for-profit institutions

4. Stop making research funds conditional on private sector donations

5. Increase funding for social sciences and humanities research

6. Withdraw from *General Agreement on Trade in Services* negotiations

Internet U holds its first class

In January 2000, the first students logged on to their classes at Unexus, a company billing itself as the world's first private, online university. Based in Fredericton, New Brunswick, the corporation quotes its tuition fees in US dollars and delivers its masters of business administration courses entirely over the internet.

Still in its infancy, Unexus hadn't had much time to do any branding before a trademark dispute with a rival online university corporation forced the name change from Unexus to Lansbridge University.

Lansbridge owner the Learnsoft Corporation took the opportunity to undergo a bit of a makeover, pasting some virtual ivy on its hitherto bare walls. Lansbridge has adopted a regal-looking coat of arms and its very own Latin motto. An agreement with the Boston-based Arthur B. Little School of Management added some further credibility and degree-granting ability to the company.

Last June, the provincial government passed legislation that will allow this corporation and others like it to call themselves universities and grant degrees – all that's needed are the regulations. Furthering the cozy relationship, a provincial department of education official sits on Lansbridge's advisory board.

The tuition fees for a regular MBA are $18,000, while those for the online executive MBA program are $28,000. But they aren't paying for classrooms or face-to-face contact with instructors. Support for the 70 students enrolled at Lansbridge is virtual, delivered by email or phone. Learnsoft president and CEO Michael Gaffney has boasted that his institution isn't unionized and has no tenure provisions.

As Gaffney told *The Globe and Mail*, "We're not here for charity or for the public good. Our investors are looking for a return and we have to deliver high-quality programs that meet their demands."

Lansbridge is looking for partnerships in the US, India and right here in Canada. In the fall of 2000, students at Ottawa's Carleton University learned the university is studying a proposal to supply computer science course content to Lansbridge's web site.

"We're in for a fast ride down a slippery slope if they do this. It starts off small but then it gets out of control quickly. Once you're on the privatization track it's hard to get out," says Faizil Moosa, an undergraduate student representative on Carleton's board of governors and a fourth year commerce student.

"This allows [Lansbridge] to associate themselves with another 'real' university. So we're not just selling them Carleton's intellectual property, we're selling them the credibility they can't earn themselves."

He fears more of the same under Ontario's private university law. "Universities will be pitted against each other even more than they are now for dollars."

"Any university that doesn't subscribe to the highest standard of quality and has degree-granting powers could cause problems in Canada. If somebody can buy a PhD, then not only is it buyer beware, it's hirer beware … I don't think a for-profit university could offer the type of outstanding programs and education we provide for our students here. Besides I don't think it's right for institutions to make a profit from an essential service like education."

*Nipissing University president Dave Marshall (*North Bay Nugget*, 21 Dec. 2000)*

Squamish site set for Strangway U

A new private university in British Columbia is one small step closer to a sod-turning: it has secured some sod.

PU doesn't yet have the province's permission to grant degrees. But in September 2000 former UBC president David Strangway announced that his Howe Sound Education Foundation had agreed to buy a 115 hectare site north of the Squamish town centre – provided Strangway can raise the $2 million needed to close the deal.

Sewing up the deal is critical to a project that turns on revenue drawn from redeveloping land around the still-unnamed campus site, know as 'Private University'.

Originally, Strangway had lined up a 405-hectare donation from a real estate corporation. That plan feel through when Amon Lands Ltd. backed out in December 1999 (sparing the public forgone tax revenue that Amon's tax deduction would have meant). While Strangway said it was only a "temporary setback", it was a far-reaching financial blow for his scheme – a scheme critics see as a teetering house of cards.

Now that PU has to pay for its land, it will be even harder to raise the estimated $60 million in development profits that are reportedly needed to cover just half the scheme's cost. User fees upwards of $30,000 will help pay back a mortgage for the other half of the $120 million estimated cost for the private, not-for-profit university.

The town of Squamish will play a key role in pumping up the value of the land by guaranteeing zoning concessions favourable to potential developers. In addition to this indirect public subsidy, the town has agreed to undisclosed property tax exemptions and will take on a $5 million loan for municipal services to a planned campus housing development.

Squamish district council minutes also show that Strangway managed to squeeze another $80,000 out of the public coffers – $40,000 to help pay for negotiating the land deal, another $23,000 when the deal is secured, and $17,000 to renovate an old library in the municipal hall to house the university's office.

While Strangway insists PU won't have any public financial support and won't drain other resources, these public subsidies show that right from the start the project is propped up by the public on several fronts. As with Ontario's private university law, critics fear public universities will be forced to compete with PU for faculty, students, donors and public funds in the form of student loans, research grants, tax expenditures, and use of publicly-supported resources such as libraries.

Whether Strangway gets the provincial go-ahead to grant degrees or not, observers say he'll plough ahead with Private University – even if it means offering degrees that are conferred in the United States or elsewhere. The bigger question is why pursue such a far-fetched and high-priced project, when the time, energy and resources could be devoted to bolstering and strengthening the public post-secondary system.

Long term gain: The value of public long-term care

Long term gain: The value of public long-term care

Lila Magee, health care aide in Brandon, Manitoba and chairperson, CUPE Manitoba Private Nursing Home Council
Photos: Roy Feduniw

When it comes time to look at nursing homes for her father, Lila Magee knows exactly what she's going to do. She won't be putting her father in the private long-term care home where she works.

"I'll put my father into a public nursing home, not a private one. There are more staff, and the staff have a lower workload. There are more programs and more resources.

"It's a struggle to not feel like it reflects on me personally. It's not that we don't care for residents. We care for them – they become family members. We do as much as we can, but there's more support in the public homes."

Lila has worked in two private long-term care facilities in Brandon, Manitoba. She knows first-hand the problems that come with privatized care.

"First of all, there's a shortage of staff. Private homes can't keep them because the public sector pays more, so people come in, get training and orientation and then head off to one of the public homes. That has a big impact on residents. They're just getting used to someone and bang – they're gone and you have to start from scratch and rebuild trust. There's no consistency."

For the staff like Lila who've stuck it out in a private home, that means extra work to make sure residents are safe and secure.

"When new staff come in, the residents don't let them do certain things. They don't trust them because they don't know them and don't have any sense of security. They're not sure if the new person will lift them properly, if it's a one person transfer. They don't want to fall because especially for an older person, a fall can be such a serious issue.

"So you're not only doing your work, you're back doing their work too, ensuring residents are safe. Especially those residents who can't talk and move themselves."

Lila isn't alone in her concerns.

"Here, when you're looking for a nursing home, you put down your first choice, second and third. Most families make their first choice the public facilities. They're better at everything."

Long-term care workers in Manitoba are pressing the government to improve regulation and inspection of private long-term care facilities.

"We're trying to bring the private sector up to public standards. The government does monitoring once a year. Well, last year they sent information to nursing homes, asked for forms to be filled out on each resident and faxed back. They never sent anyone to evaluate residents or facilities.

"Before they used to come for a whole day – but the owners would get around that, too. On those days, we had extra staff on, to make it look like everyone's fine. Management knows six to eight months in advance of when the building will be inspected. So we know when it's coming because there are extra maintenance people, fixing the walls, washing windows, painting. Everything gets spiffed up."

Growing demand

The demographics are clear: caring for a growing population of seniors presents an enormous challenge to the Canadian health care system. What's less clear is how to ensure affordable, public long-term care is available to meet seniors' needs.

In 1998 there were an estimated 3.7 million people aged 65 and over – a 57 per cent increase from 1981. Each year, nearly a quarter of a million Canadians turn 65. The number of seniors will get bigger faster as baby boomers hit their senior years, starting in about a decade. By 2021 one in five Canadians will be over 65.

In 1996, seven per cent of all seniors in Canada lived in an institution and 74 per cent of all people in institutions were seniors – 85 per cent of those in special care institutions. Older women are the most likely to live in an institution with 38 per cent of all women over 85 living in institutions, compared to just 24 per cent of their male counterparts.

As the demand for long-term care grows, so too will the push from private corporations eager to supply that care – and gain access to publicly-subsidized profits. Despite an already-entrenched private sector presence in long-term care, private care is not the best way to meet the needs of a growing population of seniors. Public long-term care delivers higher quality, more cost-effective care.

Corporations make an early move

Before the 1960s, long-term care was delivered primarily by the families of those needing care as well as by some charitable, usually religions, institutions. There was minimal government legislation and funding. Institutions were designed to keep individuals "out of sight." In the 1960s, the focus on care began to change, and institutionalized long-term care became more common. Without a public plan overseeing this new form of care, private, for-profit corporations sprang up. One of the largest, Central Park Lodges (now part of CPL REIT), was formed in 1961. Extendicare was incorporated in 1968.

In the decades that followed, the private sector role in long-term care steadily increased. In 1992 the private sector owned 47 per cent of all long-term care facilities. By 2000 private ownership had grown to nearly 50 per cent. The push to privatize is more visible when you consider who provides long-term care beds

Public, not-for-profit, private for-profit – what's the difference?

All long term-care facilities have one thing in common: the bulk of their funding is public, coming from provincial government sources.

- Public facilities are owned directly by either a provincial or municipal government. Funding comes from municipal as well as provincial sources.
- Private, for-profit facilities are owned privately and exist to make a profit for their shareholders and owners. Some corporations are publicly traded (CPL REIT, Extendicare) while others aren't (Diversicare).
- Private, not-for-profit facilities are owned by entities such as religious orders and charitable organizations. Like public facilities, the profit motive is not a factor in providing care.

Staff shortages are responsible for the sharp decline in the quality of life for the elderly in long-term care homes. Residents suffer when the staff that looks after them are harried and stressed out. Residents suffer when there is a regular turnover of staff because of low pay and poor working conditions. They get frustrated and sometimes angry when their needs are not properly met. And residents are put at potential risk when staff/resident ratios are so low that they would affect evacuation times in the event of a fire or other emergency.

Excerpt from For the love of it, *CUPE report on long-term care issues in Manitoba*

"We have two nurses' aides looking after 20 residents. Nurses' aides get hit and kicked and sworn at daily. We have some aggressive residents. We have lifts, but it takes two people to use that lift. There's not enough staff. We have to go home and live with ourselves afterward, that we really didn't care for those residents."

CUPE long-term care worker, Manitoba

In 1992, the private sector provided 38 per cent of all beds. By 2000, corporations provided 47 per cent of beds. This trend is most pronounced in provinces like Ontario, where an ever-increasing proportion of new long-term care beds goes to private sector operators.

Total spending on long-term care was an estimated $8.9 billion in 2000, or nine per cent of total health expenditures (as measured by reported spending on "other institutions" including long-term care facilities and facilities for people with physical, psychiatric and developmental disabilities). Public spending plays a significant role in this care, with government funding totalling approximately $6.3 billion or 70 per cent. The remaining $2.6 billion in spending came from individuals and the private sector. That private spending is on the rise, as public spending continues a steady decline from a high of 75 per cent of total spending at the end of the 1980s.

Federal funding for long-term care is indirect. Provinces, the direct source of funding, can choose to use federal transfer money for long-term care beds and programs, but there is no way to track this expenditure or tie federal transfers. Public funding goes to subsidize the cost of long-term care for individuals, as well as to fund capital expenditures in public facilities.

Governments also play a direct role in care by delivering services either provincially or municipally, as well as indirectly by determining the public and private mix in long-term care, assessing the level of care an individual needs, assigning them to a facility and maintaining waiting lists.

Alberta has the highest level of private spending for health care in institutions including long-term care at 46 per cent, with Québec and New Brunswick next at 38 per cent, PEI at 32 per cent and Ontario at 28 per cent. At the low end, private spending in BC comes in at 16 per cent of total spending.

Private care costs more

In 1997-98 government funding for care institutions with a variety of residents was $75 per person, per day. Residents paid an average $29.86 per day or $10,898 per year on top of the basic fee, either out-of-pocket or through insurance. Of this extra cost, those in private facilities paid $31.01 per day while those in public not-for-profit facilities paid $29.27 per day. Residents of private institutions paid almost six per cent more – $635.10 per year – in out-of-pocket charges than residents of public not-for-profit institutions.

Private nursing homes can cost between $1,000 and $5,000 per month. Round-the-clock, in-home nursing can cost as much as $122,000 per year.

Seniors have limited options in paying for the care they need. Some will have the advantage of insurance to cover some of the costs. However, they still will have had to pay the premiums at some considerable cost. Others will undergo means testing in their respective province and will have some of the expense defrayed. Most will have to pay some out-of-pocket expenses for their care. But for seniors, many of whom are on fixed income, this is a daunting prospect.

The average total income for a woman over the age of 65 in 1998 was just $20,372. If she did not earn any income from employment, the average dropped to $19,552. Average total income for an elderly male was $26,471 and just $22,983 if none of the income came from employment. The cost of long-term care – nearly $11,000 per year – consumes half the average seniors' income.

But 20 per cent of seniors and 45 per cent of single women live in poverty. The combined Old Age Security and Guaranteed Income Supplement totals $11,000 a year. Clearly for some elderly, the cost of long-term care consumes all their income. This dilemma will further sharpen if public funding continues to shrink, downloading more of the cost of long-term care to seniors.

As Canada's aging population continues to grow, so will the need for residential care and additional government funding. Some governments are beginning to realize that full government funding of elder care can – and must – become a reality. For example, Scotland has recently announced that it will pursue a full funding policy for its elder care. There is no question of the need for more funding and facilities. Equally urgent is the need to reverse the trend towards privatization. Growing evidence does not support increased private sector involvement as a way to provide seniors with proper care.

A recent international comparison of public and private long-term care facilities reveals that public facilities are by far the best at providing quality care in a cost effective manner. In every area not-for-profit care outstripped its corporate counterpart. When long-term residential care is delivered by for-profit companies, public health costs increase, as does private spending on health care. Patient health is worse, staff turnover increases and patients and families are overall less satisfied.

Where profits cannot be made, private corporations don't hesitate to fold up their tent and move on. Most recently, Extendicare fled the state of Florida after lawsuits over poor care considerably narrowed its profit margins. The largest nursing home company in the United States, Beverly Enterprises Inc. is rumoured to be considering closing its 70 Florida operations for the same reason.

Investing in the future

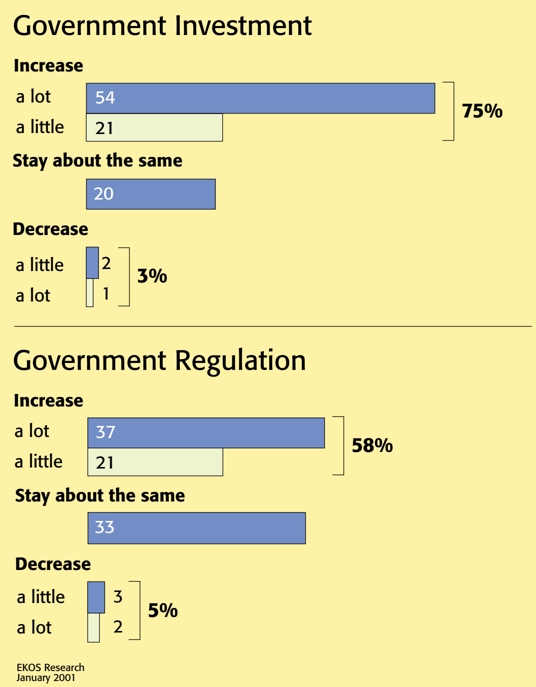
Privatization of long-term care facilities can be stopped and reversed. Public funding still covers 70 per cent of the cost of long-term care delivered through public and private institutions. That money can be diverted from private institutions and concentrated on creating public long-term care facilities.

Canadians call for increased public funding, regulation

Three-quarters of Canadians believe government investment in elder care and long-term care should increase, with 54 per cent saying it should increase a lot. A poll by EKOS Research shows concern is greatest among those aged 45 to 64 and among women, 61 per cent of whom support a major increase in funding.

There is strong support for increased government vigilance in supervising long-term care facilities, with 58 per cent calling for an increase in government regulation. Again, a majority of those aged 45 to 64 are calling for regulation to increase a lot.

Thinking about elder care and long-term care facilities, do you think (...) in this area should increase, decrease, or stay the same?



Central Park Lodge

CPL REIT is the largest operator of 'assisted living' centres in Canada and is one of the key players in the residential care market.

Central Park Lodge Long Term Care Real Estate Investment Trust has 69 long-term care centres with almost 9,400 residents in BC, Alberta, Manitoba, Ontario and Quebec. Partly through its acquisition of a company called Subacute Care, it has another 20 facilities with more than 2,200 residents in the United States.

Designed to capitalize on tax breaks, REITs are created to own and, in some cases, operate income-producing real estate such as shopping malls, apartment buildings and nursing homes. Management of the facilities is often contracted to another company or subsidiary. CPL REIT buys properties operated as long-term care facilities, then leases these properties to wholly owned subsidiaries. REITs are exempted from Canadian income tax if they distribute all of their net income to unitholders annually. REITs are also not subject to corporate or capital gains taxes.

Revenues for CPL REIT have been on the upswing with an increase of nearly 20 per cent in the third quarter of 2000 compared to the same quarter in 1999. Revenues now stand at approximately $130 million. In 1998 CPL's profit was over $11 million and in 1999 it made a profit of $412 million.

The major unitholders of CPL REIT are Guardian Capital, Central Park Lodges and Paul Reichmann. Paul and Barry Reichmann are also shareholders in Central Park Lodges, which has a contract to manage many CPL REIT-owned facilities.

The board of CPL REIT reads like a Who's Who of the Canadian financial élite, starting with president and real estate giant Barry Reichmann. Trustees include: Paul Reichmann, chair and CEO of Reichmann International Development; Douglas Basset, vice-chair of CTV and a director of the CIBC, Mercedes Benz Canada Inc., and Rothmans Inc.; John Crow, former governor of the Bank of Canada; Darcy McKeough, former Ontario treasurer and also a director of Americare Corp.; and Calvin Stiller, chair and CEO of the Canadian Medical Discoveries Fund, professor of medicine at the University of Western Ontario, director of Drug Royalty Corp. and co-founder of Diversicare.

CPL facilities have come under fire for poor conditions. A March 1999 inspection of CPL-owned Versa Care in Ottawa found 22 violations of provincial standards including filthy wheelchairs, poorly kept patient records and improper drug storage. Some of the specific findings in the ministry's report included: a strong urine odour in parts of the home; dirty floors, brushes, toothbrushes and denture cups; as well as "extremely dirty" chairs, wheelchairs and walkers. Food preparation practices were said to "compromise nutritive values, flavour, colour, texture, appearance and palatability."

The Reichmann brothers also own 53 per cent of Balanced Care, operating assisted living centres in the United States.

Diversicare

Diversicare Canada Management Services is a wholly owned subsidiary of Advocat Inc. headquartered in Franklin, Tennessee.

Advocat owns and manages 64 nursing homes with more than 7,230 beds in 12 states primarily in the southeastern US, Ontario, BC, Alberta and Nova Scotia. It also owns or manages 56 assisted living centres with 5,472 units. Fourteen of the nursing homes and 21 assisted living facilities are in Canada.

Gross profits for Advocat at the end of fiscal year December 1999 were US$3.9 million.

Advocat fell below the listing standards of the Toronto Stock Exchange in early 2000 and voluntarily de-listed from the TSE in May 2000. It was de-listed from the New York Stock Exchange in September 1999.

Advocat has had some difficulty remaining certified in the United States with both Medicare (government health insurance for the elderly) and Medicaid (government health insurance for the poor). During 1997 two of the company's facilities in Alabama were de-certified "as a result of certain deficiencies", one for 69 days and the other for 91 days. In 1998 one facility was decertified in Arkansas from both Medicare and Medicaid.

In directly owned facilities Advocat is largely a non-union company with only 510 of 5,150 employees unionized. Of these 320 are Canadian employees. In facilities that Advocat manages there are 3,160 employees. Of these 2,130 are unionized and in Canada.

Extendicare

Extendicare Inc. is one of the largest operators of long-term care facilities in North America, with 276 facilities and a capacity for over 27,000 residents.

Extendicare is profiting from the Ontario government's privatization of long-term care facilities. Three quarters of 6,700 new beds went to a handful of corporations, including Extendicare.

Now, Extendicare is using the pension money of public sector workers to finance eight new privately operated long-term care facilities in Ontario. Borealis Long Term Care Inc., a wholly owned subsidiary of the Ontario Municipal Employees' Retirement System (OMERS), has formed an alliance with Extendicare to build the new facilities, which will have 1,100 new beds. OMERS manages approximately $37 billion in assets of CUPE members and other government employees in Ontario.

Extendicare has managed to ensure its interests are well represented on key government committees investigating health care on both sides of the border, creating major conflicts of interest. Senator Michael Kirby has been a director of Extendicare since 1987. A shareholder in the corporation, he also chairs the Senate committee studying the state of the Canadian health care system. Joy Caulkin, CEO of Extendicare, is a member of the Task Force on the Availability of Long Term Care in the United States. The task force is researching nursing homes, litigation and liability insurance issues.

Extendicare has run into legal trouble in the United States. The company's financial troubles in Florida were so severe that they have sold all their nursing home operations in that state because "the environment in the state of Florida is very litigious." In one lawsuit a resident in a nursing home charged that Extendicare was negligent by providing poor care and service. A jury agreed, ordering the corporation to pay US$6.8 million.

Ontario nursing home inspections drop

Scrutiny of private nursing homes in Ontario has plummeted under the Conservative government, with inspectors reassigned to help hand even more long-term care beds to the private sector.

Documents obtained by the Canadian Press under the freedom of information law show a 40 per cent drop in regular inspections of 509 long-term care homes between 1996 and 1999. Some homes hadn't been inspected for almost three years – violating government policy that requires a full review of a home at least once a year.

Some homes that were inspected got short shrift, getting less than the required three- to seven-day review.

The CP report found that "inspectors – registered nurses with bachelors degrees – were put to work helping the government evaluate bids for extending the number of private long-term care beds in the province."

Facing opposition accusations of leaving vulnerable seniors at risk, the Tories announced new money to hire more staff and track yearly inspections. At the same time, an office has been set up to continue to process new bids for long-term care beds, to ensure that their privatization push can continue apace.

Contracted out home care costs patients, taxpayers

Competitive bidding and contracting out for home care is bleeding away 21 per cent of the total budget for Community Care Access Centres, according to a new study.

The restructuring of home and community care has opened the door to multinational companies bidding alongside non-profit providers. CCACs can no longer directly deliver services. Far from delivering on the Ontario government's promises of a streamlined, cost-effective service with less red tape and more money for patient care, the introduction of competitive bidding is corroding patient care and leeching public money into private pockets.

The study found that forcing providers to bid for contracts creates duplication of services and factors profit-taking into budgets, siphoning money away from direct care – as much as $247.4 million a year.

As with private hospitals in the United States, money is wasted on administration and profit-making – with up to $42 million diverted to profits from home care patients in Ontario.

The report, based on interviews with front-line home care workers and CUPE members, found that competitive bidding fragments service, creating inefficiencies and wasteful duplication.

The report also highlights the lack of accurate information collected by the Ministry of Health and lack of disclosure requirements for private companies. At the same time, non-profit agencies have audited statements that must be made public. This gives the private companies vying for contracts a distinct competitive advantage, allowing them to low-ball their bid.

Government funding of public institutions is a public investment that benefits the entire economy through the delivery of quality care to citizens and the creation of well-paying jobs. Not-for-profit care has a large advantage in meeting future needs – it can provide quality care at less cost to the individual resident and to the public.

Redefining long-term care is key. Long-term care is most often identified with care provided in facilities such as nursing homes or homes for the aged. However, the settings where care is delivered are changing and stretch far beyond these facilities.

"Continuing care" includes hospital geriatric assessment and treatment units, chronic care hospitals, long-term care facilities, group homes and adult day centres, supportive housing, homemaker services, meals programs, home nursing programs, and community rehabilitation programs. This extensive and complex array of services is necessary to meet the needs of both seniors and people with disabilities.

The benefits – both long-term and immediate – of broadening long-term care and delivering that care publicly are immense. As the demographic clock continues to tick, the pressure will mount to expand long-term care. Instead of giving in to pitches for more for-profit care, governments must ensure the best possible care for seniors by pushing for more public long-term care. It's the best plan for the future.

Study shows not-for-profit care advantage

A recent analysis of 43 peer-reviewed comparative studies of long-term care facilities confirms that not-for-profit facilities have a considerable advantage in almost every dimension of care.

When for-profit corporations deliver long-term residential care, public health care costs and private spending on health care both increase. Patient health is worse, staff turnover increases and patients and families are less satisfied

	Not-for-profit	For-profit
Better physical plant and environment		
• Room maintenance	■	
• Physical plant maintenance	■	
• Food	■	
• Patient control of environment	■	
Good staffing practices		
• Staff/patient ratio	■	
• Skill mix	■	
• Wages	■	
• Benefits	■	
• Staff involvement in care plans	■	
• Low turnover rates/continuity of staff	■	
Patient care		
• Use of advanced directives (living wills,do-not-resuscitate orders)	■	
• Pain management programs	■	
• Specialized hospice programs		■
• Use of anti-psychotic drugs		■
• Low level of citations for deficiencies	■	

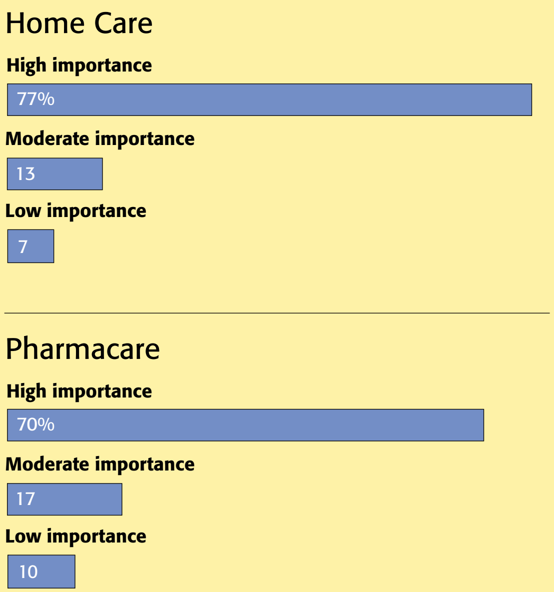
	Not-for-profit	For-profit
Patient health		
• Fewest admissions to hospitals for:		
Dehydration	■	
Pneumonia	■	
Falls	■	
Fractures	■	
Anemia	same	same
Urinary tract infections	same	same
Gangrene	same	same
Skin ulcers	same	same
• Least use of restraints	■	
• Least incidence of infection	■	
• Hospitalization rates	same	same
• Most physician involvement	■	
Most expenditures		
• Patient per day	■	
• Staffing	■	
• Use of practical nurses	■	
• Use of physicians	■	
• Wages and benefits	■	
• Skilled staff mix	■	
• Staff training	■	
• Nursing care	■	
• Administration		■

Source: Dr. Michael M. Rachlis, "The Hidden Costs of Privatization: An International Comparison of Community and Continuing Care" in Without Foundation, *a joint project of the Canadian Center for Policy Alternatives - BC, the British Columbia Government Employees' Union, the British Columbia Nurses' Union, and CUPE's Hospital Employees' Union, November 2000.*

Action overdue on home care, pharmacare

Canadians are clear our public health care system must be expanded to cover home care and pharmacare. An EKOS survey shows more than three-quarters identify home care as highly important, while more than two-thirds attach the same priority to pharmacare. Among women, 83 per cent rank a national home care program as a top priority.

How important is designing new approaches to health care such as a national (...) program?



EKOS Research
January 2001

Quality long-term care: A prescription for the future

The essential elements of a program for the future of long-term care include:

1. Federal government leadership to fund and create high quality, publicly owned long-term care facilities. Canada Health and Social Transfer funding would place new and significant obligations on the provinces to create public long-term care programs and facilities.

2. A moratorium on any new private sector long-term care beds – including public private partnerships – enforced through CHST funds.

3. The establishment of a separate fund to facilitate the conversion of private facilities to public ones.

4. A CHST cash incentive to provinces that create new public long-term care beds, reinforcing the moratorium on private sector expansion.

5. Federal and provincial governments assuming greater responsibility for funding long-term care. Fifty-fifty federal/provincial cost sharing for new long-term care facilities and programs before the year 2010 should be a target.

6. A redefinition of long-term care to include care delivered in settings ranging from geriatric hospitals to nursing homes to supportive housing. These facilities would be government funded and publicly administered and operated, including delivery of services.

7. Support to provincial governments to facilitate the seamless delivery of care by merging departments of health with departments of social services, where they have not already done so. Integration of care will allow for coordination of care across many settings, meeting needs of the elderly and the disabled more effectively. Only public administration of the programs and delivery of care can ensure that integration occurs effectively and efficiently.

8. The establishment of a federal *Home and Community Care Act* which would establish the principles (similar to the *Canada Health Act*) and regulations for the provision of long-term care, or the incorporation of a redefined long-term care provision into the *Canada Health Act*.

BC needs to update care guidelines

Care workers say British Columbia's 20-year old long-term care guidelines are dangerously low and need immediate updating.

An analysis done by the Hospital Employees' Union, CUPE's BC health services division, found that care levels are about an hour less than what's needed to meet care requirements and give seniors the social and physical contact that keeps them healthy.

Funding that extra hour of care is crucial to ensure basic daily care such as feeding, repositioning patients, changing wet clothes, and helping patients use the toilet as well as exercise and perform independent activities.

The situation has become more pressing over the last decade, as the needs of people entering long-term care have risen. HEU says patients are more frail, have more complex care needs and are more likely to suffer from dementia.

King's fraud highlights private care problems

The spectacular demise of the private King's Health Centre provides a glimpse into the problem-riddled world of privatized care.

What was hyped as the "Mayo Clinic of the North" went south in a hurry late last year, when majority owners Ron and Loren Koval fled the country accused of a $100 million fraud, including millions in public OHIP money.

King's offered a range of health services in luxurious marble-floored, wood-paneled surroundings. Some services were covered by OHIP while others, such as the King's Health Centre Executive Golf Academy, presumably weren't. Other services on the menu included prostate therapy, counseling, diagnostic testing such as magnetic resonance imaging, referrals to the United States for private surgery, weight loss and nutrition programs, executive health checkups, sleep disorders, rehabilitation and injury management.

Adding to the intrigue, allegations have emerged that King's was operating as a private hospital without official approval. Reports have surfaced that Saudi Arabian royalty used King's as a private hospital, and that wealthy Canadians may have done the same.

Politicians pushing private hospitals in Alberta referred to King's as the blueprint for privatized facilities such as the Health Resources Group's Calgary private hospital. The King's collapse scraps it as a model – and provides a serious warning against further private clinics or hospitals.

From its inception, King's was designed to capitalize on the de-listing of health services. The determination of the Ontario Conservative government to privatize health care sweetened the investment opportunity. Revenue came from OHIP billings, third-party payers such as insurance companies and private fees charged to clients – a possible violation the *Canada Health Act's* ban on user fees and facility fees for publicly insured services.

The enormous amount of money changing hands combined with lax oversight and regulation provided the perfect incubator for fraud. Private delivery of health care always has greater expenditures than public care – including inflated administrative costs. In this case, the 'administrative' costs included fraud. As the King's house of cards collapses under the weight of its own flaws, calls continue for the federal government to enforce the *Canada Health Act* and outlaw private hospitals.

A government committed to maintaining a strong role for private enterprise is extremely unlikely to provide sufficient funding to reduce the untimely waits by meeting all the health care needs from within the public system.

Excerpt from a CUPE-sponsored economic overview of health care privatization and commercialization written by University of Alberta economist Richard Plain.

Since [Alberta's Health Care Protection Act*] permits private, for-profit surgical facilities to keep patients for more than a 12-hour stay, it is only a matter of time before for-profit hospitals are approved and operating in Alberta. The first ones are likely to appear in Calgary.*

If current practices at the Calgary Regional Health Authority (CRHA) are any indication, these private hospitals will become part of a confusing web of partly public, mostly private, for-profit health care services that will further erode Medicare as most Canadians know it. Doctors will be allowed to work in both the public hospitals and the for-profit hospitals thereby draining the public hospitals of staff and resources. In addition, senior medical officers of the CRHA will be allowed to hold financial interests in these private hospitals just as they now do in private surgical clinics that contract with the CRHA.

Excerpt from Public Bodies, Private Parts: Surgical Contracts and Conflict of Interest at the Calgary Regional Health Authority, *written by Gillian Steward for The Parkland Institute, University of Alberta*

Alberta private health care pushed through

Alberta's controversial private health care law, Bill 11, is now law despite strenuous protests inside and outside the province.

In February 2001, Alberta's College of Physicians and Surgeons approved accreditation standards for "extended-stay non-hospital surgical facilities". But try as they may, private health care promoters can't hide the fact that the facilities will be acting as hospitals in a two-tier system.

The law allows private, for-profit clinics to perform surgeries, paving the way for full-fledged private hospitals in the province. The law allows public money to fund services provided for profit, and permits doctors to operate in both public and private systems. The law was passed in the face of strong provincial, national and international evidence that private care costs more and is less efficient than well-funded public care.

After creating a health care emergency by slashing funding and closing beds, the Conservative government of Ralph Klein argued that only private-sector help could fix the system. Albertans in the tens of thousands saw through this self-fulfilling prophecy. They and other Canadians argued that Bill 11 would seriously erode Medicare by creating one system of care for the wealthy, and one for everyone else.

Those fears were confirmed in a CUPE-commissioned legal opinion, which concluded that Bill 11 clearly violated at least three of the five principles of the *Canada Health Act*. The opinion, from the BC law firm Arvay Finlay, found that the principles guaranteeing universally accessible, comprehensive and uniform care would be violated, and that the bill also seriously compromised the principle of public administration.

Canadians also worried about the trade ramifications of Bill 11 under the *North American Free Trade Agreement*. Trade law expert Steven Shrybman analyzed the bill for CUPE and found that NAFTA could spread Bill 11's corrosive effects across the entire country as corporations demand equal treatment in other provinces. NAFTA's investor state provisions could make Bill 11 extremely difficult to reverse, particularly given the weak protection afforded health care to begin with.

Throughout the entire Bill 11 debate, the federal government heckled from the sidelines but took no action. Health Minister Allan Rock did nothing to enforce the *Canada Health Act*, and failed to acknowledge the immediate trade concerns. The Liberal government's tacit endorsement of two-tier care sends a chilling signal about their willingness to defend public health care.

Power play: Deregulation destroys public utilities

Power play: Deregulation destroys public utilities

Ardrossan, Alberta volunteer Mary Lindsay warms herself and her soup in Edmonton
Photos: Ian Jackson

This winter, Mary Lindsay spent a lot of time huddled under the covers, her thermostat hovering around 10 degrees Celsius. For the Ardrossan, Alberta resident it was the only way she could keep her energy costs under control.

Coping with severe arthritis and other health problems, Mary lives on $855 a month in provincial disability benefits. After paying her mortgage, she has $355 for the rest of the month. Deregulation has blown all the circuits on her budget.

"I spend a lot of time thinking of ways to not use energy. I used to shower once a day, now I'm down to once a week," she says. Volunteering in nearby Edmonton gives her a chance to cook outside her home – and not worry about the energy bill.

"Everyone's living in terror. Sure, we're getting some rebates now, but they're not forever and they're certainly not guaranteed to cover the huge increases. They're a band-aid, but unregulated costs will continue to go up."

Government attempts to offset deregulated energy costs have provided cold comfort. Mary called her disability worker to find out what would happen if she couldn't afford her energy bill.

"My worker said 'Wait until you get your cutoff notice, and we'll see what we can do'. I was dumbfounded. I'm expected to allow myself to get to the cutoff point, and then hope someone will help me. By then, it's too late."

Mary's first heating bill of the year was double what it was last year. Her subsequent bills are holding even with last year's – but only because she's cold all the time and rations her energy use.

"There are so many people in the same boat I'm in," says Mary. She's heard that public places like the library seem more crowded – full, she thinks, with people trying to stay warm.

"For those of us living on the thin edge, this has pushed us over the edge. I've gone from middle class to poor class to below, if that's possible. Living here right now is kind of scary," she says.

A growing number of governments across North America are handing ownership and control of electrical utilities to the private sector, sparking chaos and crisis.

Deregulation changes the rules on who delivers electricity and how it is provided, breaking up publicly-owned electricity monopolies and limiting the role public utilities play in electricity generation and delivery. Generation, transmission and retail operations are separated, with numerous corporations operating within each area – all under the allegedly watchful eyes of a market regulator or other 'independent' body.

Deregulation advocates claim competition will make electricity generation and delivery more efficient, which in turn will lead to lower electricity prices and greater consumer choice. As deregulation experiments crash and burn, some analysts are trying to explain away the problems as simple issues of 'supply and demand'. Some are audacious enough to claim deregulation didn't go far enough, and that full deregulation will succeed. In reality, the problems are far more profound, starting with the premise that market forces of supply and demand can be applied to the unique, un-storable and essential resource that is electricity.

Deregulation experiments are driven by an ideology that private trumps public no matter the situation – even when it comes to meeting the electricity needs of individuals and corporations. Deregulation proponents know only too well that electricity is a critically important, universally-relied-upon energy source – creating a huge, profitable and captive market. And they'll say anything to get in the door.

The much-promised competition often eludes those waiting for the benefits, as a small number of multinationals move in to dominate the market. Any cost savings – often exaggerated to begin with – are enjoyed by the corporations and their shareholders, not passed along to residential electricity users. To add to the rip-off, deregulation often means a transfer of public wealth to private corporations, as public assets are sold off and electricity prices rise.

In the context of free trade, deregulation can make electricity available to consumers in other countries in addition to people of the producing country, restricting the terms under which electricity is bought, sold and subsidized – and creating the potential for supply problems as foreign buyers outbid those who need energy locally. Global trade deals further facilitate the takeover of electricity producers by foreign corporations.

Deregulation jolts British users

The first major deregulation and privatization of electricity occurred in Britain in the early 1990s. By 1994 prices to customers had increased far faster than in the pre-privatization period, small individual customers were subsidizing large corporate customers and utility profits soared.

Privatization did eventually bring some cost savings, but these were achieved almost entirely through job losses and the savings were not passed on to consumers. Between 1990 and 1995, 110,000 jobs disappeared – 42 per cent of the workforce in the energy sector. If the savings had gone to reduce prices, utility bills would have dropped between 3.2 and 7.5 per cent. But prices did not fall as fast as costs because most of the savings went to shareholders. The British experience has also shown a continuing problem with "market rigging," as the companies abandoned any pretence of a free, competitive market in favour of collusion and price gouging. In a number of cases, companies have recruited officials working for the energy regulator as employees.

Electricity companies in Britain have consolidated, to tighten their stranglehold on the market. At the same time some are becoming trans-utility corporations, venturing into the gas and water business. Others have been the object of foreign

"In Britain, it didn't take long for the handful of power sellers and traders to learn how to 'game' the [power] pool, essentially turning the daily auction into a fixed casino. Last year, Britain's Office of Electricity and Gas Markets concluded that collusion and manipulation of the pool had become standard business practice."

"The real wisdom of the deregulated marketplace [is] the brilliant method by which profits are privatized while losses are socialized."

"Free markets in electricity go berserk because they aren't really markets, aren't free and can't be. Electricity isn't like a dozen bagels; it can't be frozen, stored or trucked where needed. And while you can skip your daily bagel, homes and industry will not do without their daily electricity."

Gregory Palast, journalist, utility regulation consultant and author of the forthcoming book, Regulation and Democracy, *published by the UN International Labour Organization*

"I believe in municipal ownership of these monopolies because if you do not own them, they in time will own you. They will destroy your politics, corrupt your institutions, and, finally, destroy your liberties."

Tom Johnson, mayor of Cleveland, 1901-1909

"In the past we trusted that state regulators who were appointed by our elected officials were watching out for us, which may or may not have been true. The new model is, 'Figure it out for yourself'."

Edward A. Smeloff, former utility industry official now heading electricity research group at Pace University

"Deregulation and privatization were sold implicitly on the assumption that everybody can win from this, but I'm hard pressed to find an example in the real world where that has happened. Maybe somebody is winning, but it isn't the consumer."

Willis Emmons, professor, Georgetown University School of Business

"With the deregulation of natural gas, which occurred a few years ago, we have watched helplessly as prices have increased and will probably continue to increase. These increased costs have been largely due to market prices – based on the supply and demand of a commodity. Accordingly, we must now take action to ensure that the deregulation or privatization of electricity does not [happen]."

Mayor L.M. Harwood, Hudson's Hope, BC

takeovers, mainly by American corporations who until recently were unable to reap the same level of profit at home. That all changed with California.

California nightmare

California's deregulation plan was introduced in 1996 with the promise of a 20 per cent price drop and a stable supply. Price hikes of up to 300 per cent, bankruptcies, blackouts and a shortage of generation capacity in a fragmented system were the actual result. Utilities were forced to sell off their power plants, making them dependent on private electricity producers and the whimsy of daily bidding.

While demand for electricity rose by only 3 per cent from 1999 to 2000, the cost of that energy increased by US$10 billion. Electricity prices to users were capped at a much lower rate than wholesale prices, leaving utilities facing rising demand at the mercy of their suppliers.

Even with some price restrictions, prices to consumers, both residential and commercial, rose highest in areas such as San Diego, where deregulation is most advanced and electricity bills have doubled. Cities such as Los Angeles, where utilities and generation capacity remained in public hands, have weathered the worst of the deregulation storm. L.A.'s public utility used its revenue to keep rates lower, invest in cleaner electricity generating and distribution facilities and prevent blackouts. In contrast, an audit of private power corporation California Edison showed that of the US$7 billion it collected from electricity users in the past five years, it forwarded US$4.8 billion to parent company Edison International, which in turn paid out US$1.6 billion in shareholder dividends.

The ensuing unstable supply created havoc in the state and beyond. Rotating blackouts made international headlines, as private energy suppliers and high electricity demand sent prices to levels where even large utilities such as PG&E and California Edison could not afford to pay. California was forced to import electricity from other states and Canada, and industries threatened to reduce production or leave the state because of the high prices and instability.

While California's power problems aren't over, a state bailout appears to have propped up the corporations, for now. The government will buy up to US$10 billion worth of electricity on the utilities' behalf. However, the bailout law forbids the state from spending that sum in what many argue would be a far more productive way – buying transmission, generation and distribution assets.

The collapse of California's electricity industry has spurred calls for a return to a regulated, publicly owned electricity system. Public Utilities Commissioner Carl Wood says electricity deregulation in California is "dead," and California Governor Gray Davis called deregulation "a dangerous and colossal failure" and called for more public control.

The failure of deregulation in California has prompted at least a dozen states to scrap or postpone deregulation plans. Although it is a colossal failure in California, in Canada the provinces of Alberta and Ontario are moving ahead with electricity deregulation while provinces such as Nova Scotia and New Brunswick are toying with the idea.

Alberta goes haywire

Deregulation in Alberta began in the mid 90s, and was in full effect on January 1, 2001. But skyrocketing prices and a shortage of electricity have led to what one analyst called "a meltdown of one of the basic building blocks of Alberta's economy."

Alberta's story is different than Ontario and California. Private energy companies have always played a role in electricity provision alongside public utilities. But the move to a "free," less regulated market has still created problems. Like California and Ontario, the old system wasn't broke and didn't need the radical overhaul being forced upon it. In fact, no deregulated system in the United States had prices as low as they were under Alberta's regulated system.

Deregulation was implemented as Albertans faced growing demand and a shortage of electricity supply. Opening the electricity market to competition didn't create the rush of new business the government predicted. In fact, producers held off on building new plants, waiting to see what price the market would set.

Industry in Alberta now pays three times what companies in neighbouring provinces pay for power. The "Alberta Advantage" has evaporated. Alberta power prices averaged 13.5 cents a kilowatt hour in January while costs in British Columbia, Saskatchewan and Manitoba held steady at 4.3 cents, 4.9 cents and 3.7 cents respectively. Daily "spot" prices (those purchased on demand) soared to as high as 70 cents per kWh in December. Yet it is estimated that because 70 per cent of Alberta's generating capacity is coal-fired – a cheap (but dirty) source of energy – 5 cents per kWh would be a fair price in a regulated industry.

Power to the people: Keeping Toronto Hydro public

Only a dim bulb would privatize Toronto Hydro, according to economist and utilities expert Dr. Myron Gordon.

Toronto Hydro workers asked Gordon to study whether the city and its taxpayers would benefit more from selling the utility or keeping it public. The workers, members of CUPE 1, are waging a campaign to ward off the privatization of the newly-amalgamated Toronto Hydro. Gordon, a professor in the University of Toronto's Faculty of Management, concluded that maintaining public ownership is the best choice.

Gordon found that Toronto Hydro, owned debt-free by the city, is a tremendous asset providing a good return to the city. Even if funds from the utility's sale were invested in a portfolio of securities, only with "unrealistically optimistic assumptions" would the return to the city be the same.

He argued that if privatized, the quest for ever-greater profits would supplant performance and service to customers as a primary objective. Customers would also get hit in the wallet. Based on evidence from the United States, privatization would result in higher electricity rates for residents and other smaller users and lower rates for large users such as industry.

In addition, local citizens would lose control of their electrical services, as privatization could easily result in Toronto Hydro becoming a small subsidiary of a large, probably foreign, conglomerate. Foreign ownership adds to the possibility that rates would rise as a result of transfer pricing (the pricing of services provided by the parent company to Toronto Hydro, as well as the energy sold to it).

Finally, Gordon argued city ownership is likely to add less to cost and confusion than a privatized Toronto Hydro facing the temptation to profit from a new and varied range of pricing options.

One of the many advantages of living in Winnipeg is Winnipeg Hydro, a highly efficient, reliable corporation that currently contributes $20 million each year to the city's revenues. It also supplies Winnipeggers with some of the lowest power rates in North America....When it comes to Hydro power, we have it so good in Winnipeg that it is easy to take it for granted. As experiences with private utilities elsewhere remind us, that would be a mistake.

In the hot summer of 1998, the midwestern United States suffered through a three-day series of blackouts. While businesses shut down and homeowners struggled along without power, the price of electricity went through the roof. Private power companies raised prices to as high as $7,000 per megawatt hour, far beyond the usual summer rate of $100 to $150.

That same year, power failed in the central business district in Auckland, New Zealand. It took the private electric utility, Mercury Energy, five weeks to restore power. The millions of dollars in lost business put Mercury on the hook for huge liabilities.

Excerpt from "In the Dark? The future of Winnipeg Hydro" *by Lisa Shaw, Canadian Centre for Policy Alternatives – Manitoba*

Public utilities can counter some of the worst effects of deregulation. A recent study found EPCOR, the municipally-owned utility in Edmonton, is a valuable asset that offers excellent returns with reasonable electricity rates and high dividends that are reinvested publicly. Medicine Hat's public utility took over the community's natural gas reserves. The city's residents have the lowest heating bills in North America.

However, even with public utilities, taxpayers pay a high price for deregulation. The political pressure of a looming election forced the Klein government to provide residential and business rebates to offset higher electricity rates. In election mode, the premier has promised to maintain this 'shield', transferring $3 to $5 billion of public wealth to the power companies not just once but every year for the next four years. As a result, Albertans could see higher taxes or new cuts in services.

Albertans may have few options when it comes to remedies for the current problem. Despite a limited supply of electricity, free trade means the province cannot sell power to its own people at subsidized rates while Californians are forced to pay top dollar. A made-in-Canada, or even a made-in-Alberta energy policy becomes impossible under NAFTA.

Ontario: Ideology over economics

Ontario's deregulated electricity market was slated to open in November 2000 but the difficulties in California and other jurisdictions have prompted the government to postpone the opening, hoping to ride out the storm of bad publicity. In 1998 Ontario's Conservative government passed Bill 35, the *Energy Competition Act*, breaking the government-owned, province-wide Ontario Hydro corporation into five separate entities.

The new law opens up electricity services to global corporations. The newly formed, provincially-owned Ontario Power Generation will compete with large, mostly foreign private corporations. These corporate giants will be guaranteed a portion of the electricity generation market as Ontario Power Generation is forced to decrease its market share from the present 85 per cent to 65 per cent by 2004. By 2010, it will not be able to provide more than 35 per cent of power generation in the province.

Multinational energy corporations are already moving in. Sithe, a subsidiary of Vivendi, has announced plans for two generating plants in the Toronto area. Utilities giant Enron also announced it will build a generating plant in Lambton County. Other Canadian companies are also planning power plants. However, these plants will have to beat out plans for projects in other areas or countries, as corporations' reach exceeds their grasp.

Government-hired consultants will make recommendations on the divestment of OPG assets. It remains to be seen whether revenue from the sale of assets will be used to pay off Ontario Hydro's debt or be used by OPG to expand its operations in the United States. The provincial auditor warned that taxpayers "may ultimately have to bear some of the financial responsibility" for the $19.8 billion debt. This 'stranded debt' was not transferred to the newly-created Ontario Power Generation and Hydro One, so that the new companies "would succeed in the new competitive marketplace". The auditor warned that electricity rates could rise if a debt repayment plan, scheduled to finish in 2017, doesn't work out.

At the local level, municipal electrical utilities that have been supplying electricity now must be incorporated under the *Ontario Corporations Act*. They will now become local distribution companies subject to performance-based regulation that is supposed to control prices, but can also provide loopholes for utilities to raise prices.

Prices will be regulated as will maximum levels of profit – at least initially. The regulations are to be in effect for three years after the deregulated market begins. Then, all bets are off as a new set of standards is established. In any case, it is unclear how much electricity will cost given that the price of generated electricity and other inputs are to be determined by the market.

It is also unclear whether utilities will remain publicly operated and owned. Under the deregulation law, municipal utilities become local distribution corporations (LDCs) with several options: operate as for-profit or not-for profit publicly owned companies; merge or enter into partnership agreements with other LDCs; enter into public private partnerships with private corporations; or be sold, completely or in part, to private corporations.

Significant change was evident at the local level early in the new year, with nearly 250 municipal utilities consolidating into 92 new entities through mergers and sales. Hydro One, the successor to Ontario Hydro in distribution and retail has acquired 87 MEUs/LDCs. Amalgamation and merger of utilities may make economic sense, but public accountability can be compromised as larger utilities encompassing more municipalities limit the input of local residents. Consolidation also creates entities ripe for the plucking if privatized later on, removing larger chunks of the electricity system from the public sector.

Other municipal utilities are forming partnerships with the private sector, another form of privatization. Lindsay has entered into a 10-year lease arrangement with Utilicorp. Mississauga Hydro is forming a partnership with Borealis Energy Corp., a subsidiary of the Ontario Municipal Employees Retirement System (OMERS) pension fund. Other municipalities are considering selling off their utilities.

Secrecy shrouds Ontario Hydro

The fallout from Ontario's electricity deregulation blocks public access to Ontario Hydro's environmental and public health information.

Bill 35, the *Energy Competition Act*, shields Ontario Hydro's successor corporations from the *Freedom of Information and Privacy Act* by setting them up as commercial corporations under the provincial corporations act. The new provisions apply to the Ontario Electricity Generation Corporation and the Ontario Electric Services Corporation.

Before Bill 35 became law, Ontario's Privacy Commissioner recommended that the corporations be made subject to freedom of information laws, recognizing the public's "longstanding, legitimate interest in the environmental, health and safety implications" of hydro operations. She noted that the new companies remain public bodies, and are more like crown corporations than private businesses. In addition, Ontario taxpayers continue to underwrite Ontario Hydro's debt.

The government did not heed her advice, raising concerns about the new corporation failing to disclose vital information to the public for "competitive" reasons.

Prescription for public energy utilities

1. Electricity must not be treated like any other commodity.

2. Any policy decisions must uphold the principle that affordable and reliable electricity is essential to people's daily lives as well as the economy.

3. Provincial and municipal governments must place an indefinite moratorium on any further privatization of electrical utilities, and where possible return utilities to public ownership and control.

4. In light of problems in California and elsewhere, suspend the deregulation process and undertake a thorough, independent investigation of deregulation experiments in North America before making any further decisions.

5. Municipal, provincial and federal governments should fund the development of alternative, environmentally-friendly forms of power such as solar and wind.

Cornwall sold its electric utility to Enbridge in 1999. The cities of London, Toronto and Ottawa have considered selling all or part of their utilities, but are having second thoughts.

While residential users will pay more for electricity after deregulation, large industrial users in the province have pressured the government to continue selling them power through OPG at below-market rates guaranteed for the next four years. Ironically, these deals are the kinds of 'limits' that can discourage private sector corporations from getting into the business.

Public has the best power

The experiences around deregulation and privatization indicate that they are bad news for residential users of electricity. While deregulation and privatization are linked, the evidence shows that keeping some of the electricity system under public control and ownership can minimize the worst effects of deregulation.

Public ownership brings greater public accountability. It also brings lower prices to residents than do private utilities. The International Energy Agency found a consistent pattern with publicly owned utilities selling their power at 16 to 20 per cent cheaper on average than private utilities, the price differential being greatest for residential users.

Finally, a publicly owned and highly regulated electricity system also promotes a stable economy that works in the interests of the general public rather than the interests of shareholders and a relatively small number of corporations.

Investing in the future: Building better child care

Investing in the future: Building better child care

Tara Peck,
Shawville, Québec parent,
Ottawa child care worker
and member, CUPE 2204
Photos: Phil MacCallum

The relief is still there in Tara Peck's voice when she talks about where her children received child care – even though they've both graduated to school.

With both children in Québec's public child care system, Tara didn't have to think twice about who was taking care of Tessa and Jared. Her mind was at ease – and her children were in good hands.

The structure and stability that came with a well-funded, regulated program gave Tara a sense of security.

"It's not like when you walk in with a private sitter, and wonder if you're catching them doing something bad. Or what's been going on for the last two hours. The daycare had an open door policy. You know that no matter what you walk in on, it's appropriate."

Tara, a child care worker at a co-operative daycare across the river in Ottawa, has heard her share of private care horror stories. And she knows first-hand the value of public child care.

"The staff aren't working alone, and they can get help if they're frustrated. You can't do that as a sole babysitter. It's easier for things to get out of hand."

Tara watched her children blossom under the care they received.

"Tessa's group was big – I wanted her with other kids, so she'd develop her social skills. And I wanted her to start picking up French. We were new to the city, and weren't sure who to trust. So it was important that she was in care that was monitored. We didn't feel like anything could go wrong."

When the time came, she put Jared in home care because the location was convenient, and because she knew the care was provided under the same provincial system, which meant monitoring and support.

"He got to socialize in a group environment, and that got him ready for school. The agency was very dedicated about checking in on the care and taking it seriously. They have a resource person who'll help the caregiver set up games, and can add skills and training. They also have a toy library to lend to caregivers. It's great."

Reliable, quality child care "made a world of difference" for Tara's children. The fact that it was publicly funded, and included subsidies to make the care affordable, made a big difference in Tara's budget. Québec's $5-a-day care policy brings costs way down, putting public care within more parents' reach.

Tara's story echoes the findings of study after study demonstrating the importance of early childhood education to the development of children. There is no more important investment than the future of our children. A new study that links private, for-profit operation to lower quality child care highlights the need for public investment. But after decades of studies and despite overwhelming evidence, there is still no national political action on developing a publicly-funded, high-quality, not-for-profit child care system.

It's not for lack of a model. Québec's child care program has been around since 1997, and continues to expand and innovate. The program provides flexible child care either in centres or homes for all families whether parents are working full-time, part-time or at home. The number of families using child care has increased from 10 per cent to 28 per cent in a few short years.

The program's $5-a-day fee for a child enrolled in regulated child care has helped boost those numbers. The government pays the balance of the cost for a space. Coverage is still being phased in, but by 2002 parents will be paying $5 a day for care for a child between one and four who's enrolled in a regulated program

Québec's *Centres de la petite enfance* (early childhood centres), will be community based, not-for-profit, and parent-controlled. Two-thirds of the seats on a centre's board are reserved for parents. The program coordinates a range of child care options in a community. The centres will also offer other child care and family support services such as weekend and evening care, part-time child care services and respite care. School age children are cared for in *milieu scolaire*, care provided by school boards before and after school to children attending kindergarten or elementary grades. Commercial child care centres in the for-profit sector will be encouraged to convert to not-for-profit.

Patchwork care across country

More than just a way to get parents back to work, early childhood care and education programs make a broader social contribution. Child care provides opportunities for healthy child development, prepares children to learn at school-entry age and provides a head start for children at risk. It also supports working parents with young children, especially single mothers.

Every aspect of early childhood education and child care varies widely across Canada's provinces and territories – the range of services offered, eligibility, funding, statutory requirements, monitoring and enforcement of standards. Only Quebec and British Columbia have demonstrated leadership in starting to build a strong system of child care services. Recently Manitoba has announced it wants to looks at developing a more comprehensive child care system.

Individual funding doesn't add up

Flying in the face of countless studies, the solution posed by right-wing think tanks is to put money in the hands of parents instead of funding centres and programs.

But there is no point in putting money into parents' pockets to pay for quality child care if none is available in their community. A coherent system of child care services can't be accomplished through a market model. Child care requires public investment, coordination and oversight.

The only study that questions comprehensive child care programs was published three years ago and re-released during the fall 2000 lobby for a national child care program. The Institute for Research on Public Policy study took a simplistic approach, only asking whether parents were "better off" during the previous Quebec family policy – where funds were directed to parents – or under the new policy directing funds to child care centres.

The study's 'dollars over sense' approach ignores the families' quality of life under the new program, as well as its impact on children. The conclusion of the report – that most families were better off under the old system – would be the equivalent of saying that families are better off if their children don't go to university because it would cost them less money.

Too many children per caregiver makes it difficult for the caregiver to provide the children with individual attention or appropriate programming....[S]tudies in both Canada and the United States have consistently found that for-profit centres tend to have more children per caregiver than non-profit centres.

Martha Friendly, University of Toronto Childcare Resource and Research Unit

"Our centre provided top quality care to children who really needed us – special needs kids and the children of immigrant mothers living in downtown Toronto. We have people waiting years to find a child care space in the centre of the city."

Diane Dobusz, child care worker at Canada's oldest day care, Victoria Day Care. The workers, members of CUPE 2563, waged an eight-month strike to defend their pensions. The centre's executive board took money allocated for the employee pension plan to fund the day-to-day operations of the agency – a direct result of chronic under-funding of child care agencies. In February 2001, the employer shut down the centre.

Quality of care suffers when there's no coherent plan and inadequate funding. A recent national study shows the links between poor quality and for-profit care. According to the study, *You Bet I Care!*, the highest quality of care was found in not-for-profit facilities with better paid staff, with quality also linked to higher funding levels and at least two years of specialized staff training. These findings mirror those of recent US studies.

Across all jurisdictions non-profit centres obtained better scores on measures of quality than commercial centres. Higher paid staff translates into higher quality care. The union advantage is significant for child care workers. Teachers in unionized centres made 30 per cent more than non-unionized workers, but union density is very low – only 16 per cent of those participating in the study belonged to a union.

Based on these indicators the highest quality care was found in British Columbia. At the time of the study, Québec ran a close second – and that ranking was assigned when the province's child care reforms were just beginning. Since the 1998 study, Québec has increased training requirements for staff working in child care centres, made training mandatory for family child care and increased wages for centre staff – showing the difference that a public, coherent system can make. British Columbia's high ranking came from the province's rigorous training requirements, strong regulation of group size, wage enhancement grants, and specialized training for infant and toddler care.

Child care in Ontario and Alberta was mediocre, the study found. Alberta child care would have ranked even lower if the majority of providers – for-profit enterprises – had participated in the study. New Brunswick had the poorest quality, while Saskatchewan and Yukon ranked only slightly better. New Brunswick's system doesn't require centre staff or family child care providers to have any specific child development education or related training. There are no operating grants for centres and no support services for family care providers.

While most day cares are physically safe and the staff are warm and nurturing, only one-third of programs stimulate children's social, language and thinking skills, the study concludes.

British Columbia follows Québec's public lead

British Columbia has unveiled a new child care plan that will cover all forms of licensed child care by 2004. Parents with children in licensed care will pay no more than $14 per day for all day care. Families with children in licensed infant and toddler care, where the costs are highest, will see the greatest savings – up to $6,000 per year per child.

The plan, which builds on the solid base that's been established, calls for 85,000 licensed child-care spaces by 2004 – a 20 per cent increase in current spaces, and double the number of spaces that were available in 1992 when the provincial government began its focus on child care. Most of the existing licensed child-care spaces in BC are small and managed by locally based non-profit societies or owner-operated family child care.

The first phase of Child Care BC began on January 1, 2001. Parents pay fees of up to $7 per day for each child from grade 1 to age 12 enrolled in licensed group centres offering before- and after-school care. Parents with children in these centres could save up to $1,100 per year per child.

Alberta takes for-profit road

In Alberta, strong lobbying from commercial care providers saw for-profit child care put on an equal footing with non-profit and municipally run centres in 1980. Initially, operating grants were made available to centres. Until 1980, municipalities paid 20 per cent of the cost of subsidized care. Now almost all funding for child care is through individual subsidies to parents, creating havoc with child care centre budgets that are already meager.

Following the recommendations of a taskforce dominated by for-profit advocates, the province took over full funding of subsidies as well as the administration of child care, and then cut the subsidies. By 1999, provincial operating grants had been phased out and child care fees had risen as much as 60 per cent. Regulations have the effect of guidelines as enforcement is placed in the hands of cash-strapped local authorities. The high quality municipally run centres in Alberta have all but disappeared, and long waiting lists confront parents wanting not-for-profit child care.

Alberta now has the second highest level of for-profit care in Canada – about 70 per cent. When scarce resources must also provide profits, quality suffers. The average wage for an Alberta child care worker was $8.36 in 1998 – well below the national average of $11.62, itself a low figure. Staff turnover rates in Alberta were the highest in Canada at 45 per cent compared to the national average of 35 per cent, and the number of regulated child care spaces dropped between 1990 and 1995.

Child care advocates and workers are calling for immediate changes in the atrocious working conditions and low rates of pay which translate into low quality child care.

Child care by the numbers

- Child care wages are extremely low. Nationally, the survey showed the hourly rate was $11.62 for a teacher and only $9.59 for an assistant.
- Ninety-one per cent of child care workers made higher wages their top priority in a recent survey.
- The same study found that turnover of child care workers was directly linked to wage rates. For workers earning less than $10.50 an hour the turnover rate was 40 per cent. Those earning between $10.50 and $13.99 had a 23 per cent turnover. For those earning over $14 an hour, turnover dropped to 20 per cent.
- Ninety-five per cent of teaching staff said that they made a positive difference in children's lives.
- As well, approximately 84 per cent said the job made good use of their skills, was stimulating and challenging and gave them a sense of accomplishment.
- However, a substantial proportion of teaching staff said that there was not enough time to do what must be done, and that at the end of the day they were physically or emotionally exhausted.
- Almost 55 per cent felt there was too little time to complete their work. Forty-eight per cent of respondents said they felt physically exhausted at the end of the day, and 29 per cent felt emotionally drained.
- On average, child care workers put in the equivalent of 5.3 hours of unpaid overtime per week.
- A child's brain development in the first six years of life sets the foundation for lifelong learning, behaviour and health.

Source: You Bet I Care!, *Canada-wide study of Wages, Working Conditions and Practices in Child Care Centres published by the Centre for Families, Work and Well-Being.*

Not only are profit centres less supportive workplaces, but they also tend to provide children with a lower quality environment. As stability of care, lower ratios and smaller group sizes have been found to be associated with better child outcomes, the high staff turnover rates, higher ratios and larger group sizes found in profit centres are a cause for concern with regard to the childrens' well-being.

*From "*Profit and nonprofit day care: A comparison of quality, caregiver behaviour and structural features*" by Davina Mill, Nancy Bartlett and Donna R. White in The Canadian Journal of Research in Early Childhood Education, October 1995.*

Research shows that auspice, or who owns the child care, has an impact on quality. Not-for-profit child care has been shown to have better ratios and better health and safety conditions; to provide caregiving that is more sensitive, developmentally appropriate and less harsh; to have lower staff turnover and stress; better trained staff, and better wages and working conditions.

Martha Friendly, University of Toronto Childcare Resource and Research Unit

Ontario opens for-profit door

Since the Conservative government took power in 1995, child care funding has been cut and child care policy has been forced in new directions. As with many Ontario government policies, all roads seem to lead to privatization. Municipal governments are now required to cost-share the entire child care budget, not just the child care subsidies. Wage enhancement grants, family resource centres, and supports for children with special needs that were once provincially funded now require municipalities to kick in 20 per cent. Capital costs that were fully funded by the province now receive no provincial funding.

Municipalities are scrambling to meet the costs of delivering child care in a climate of policies that push privatization. Unable or unwilling to shoulder the burden, Elliot Lake was the first to abandon its municipal child care program. Faced with a funding shortfall of $129,000, the city laid off 16 full- and part-time staff, leaving 36 children without care.

Other municipalities, under pressure from Ministry of Community and Social Services officials to get out of the day care 'business', are examining the future of their centres. One municipality has handed over the wage subsidies earmarked for the not-for-profit sector to for-profit child care centres. Others have assigned subsidies to individual parents, rather than centres, destabilizing the funding for centre-based child care.

In addition, some municipalities are turning to public private partnerships as a way to provide child care while avoiding capital costs of building or purchasing new centres. Centres would be located on the property of large corporations. In exchange, the centre would provide spaces for employees. While this may provide some short-term budgetary relief, the long-term benefits are a mirage.

Federal words remain empty promises

In the face of this patchwork, the federal government has failed to ensure child care and early childhood development is a public service, not a private enterprise. Without strong federal action, there is no way to convert the fragmentation, gaps, inefficiencies and inequities that exist into high-quality, affordable care that allows children to develop in a healthy, supportive environment.

At a policy level, the federal government has recognized child care as a public good for some time. The 1994 federal social security review identified child care as central to three themes: employment, learning, and security. It saw child care as an essential support for employment as well as a way to provide children with a good environment to grow and learn. The subsequent National Children's Agenda acknowledged the importance of early childhood education, as did the 2001 federal throne speech. Yet still, words have not translated into action.

Experts on child care and early childhood development stress that quality child care has a wide impact. A recent National Council of Welfare study highlights the importance of early childhood care and education not only for individual children and families but for Canadian society as a whole.

The study concluded that high-quality child care helps poor families maintain employment while providing all children with a sound base for their development. Child care benefits children, parents, and community. Health research shows that early childhood experiences are among the most important determinants of a person's health. Preventing problems and ensuring that children have the best possible early development makes good economic sense.

One in five Canadian children still live in poverty and, according to Campaign 2000, the proportion of children in regulated child care receiving subsidies dropped from 36 per cent in 1992 to 31 per cent in 1998, suggesting that access to child care has become even more limited for low-income families.

The 1997 National Forum on Health called for child care to be made available to all. The Forum proposed a comprehensive approach to child care and healthy child development where policies and programs are "reviewed and modified to ensure access to affordable, high quality child care and early childhood education services."

Child care also has economic spinoffs. Two University of Toronto economists have calculated that every dollar spent on child care that stimulates children's development creates a two dollar economic benefit. The benefit comes from increased workforce participation and related higher tax revenues. Good child care also results in lower social spending because fewer children end up needing remedial education in elementary school or other social services later.

Prescription for better child care

1. Universal access to publicly-funded, non-profit, high quality care for children from birth to 12 years.

2. A comprehensive system including full-day infant and pre-school care, part-time programs, lunch time and before- and after-school services, group care, home care and resource centres. The integration of children with special needs and children whose parents are shift workers is also key.

3. Diverse services that reflect the requirements of urban and rural residents and are sensitive to linguistic, cultural and regional variations across the country.

4. A flexible approach, linked to user needs, accountable to the community, and responsive to language and culture. Parental and employee participation is essential for quality child care services.

5. Better wages, salaries and benefits for child care workers. In-service training, full compensation while attending early childhood education programs, built-in relief-substitute provisions and workshops on quality care are essential support programs.

6. Integrated services through new, autonomous child resource departments or divisions at the federal, provincial, territorial and municipal levels of government. Jurisdiction should not rest with welfare-oriented departments or ministries.

7. Community-based group child care centres and/or municipally operated child care services should be the hub around which satellite child resource programs and home child care services can be integrated.

Child care is not unlike health care, where the work of the individual service provider is key to the quality of the care. The child care provider's interaction with the child is the single most important factor in quality care. Training and professional development, which enhance the interaction between care providers and children, are very important.

Consumers expect that health care services will be of high quality and based on current knowledge and research. They expect that these services will be accessible and accountable. However, those who provide health services, unlike child care providers, do so within a supportive structure that encompasses policies, institutions, resource and information networks. In the child care system that we are now developing, we must not envision less.

From Assuring Quality in Child Care, *a Canadian Child Care Federation brief to federal government*

Need grows, funding doesn't

The need for high quality child care services has grown as more women work – and return to work after having children. Statistics show 70 per cent of mothers with young children under age six are in the paid workforce. Almost nine in 10 women return to work after giving birth. Only 10 per cent of children from infants to 12 years have access to a regulated child care space. In 1998, eight provinces had coverage below 10 per cent. Countless studies show that women experience excessive levels of stress trying to balance work and family life.

In September 2000, the federal government announced a first ministers' agreement on early childhood development – an agreement that once again fails to deliver a comprehensive, publicly-funded child care program. The agreement will see the federal government transfer $300 million to the provinces in 2001 for childhood development programs and initiatives, and $2.2 billion over five years.

This is much less than what families and children need, and forces child care to compete for funds with a large range of programs for pregnant mothers, parents, infants, and children. Direct federal spending on child care was eliminated in the 1995 federal budget. In 1992, the federal government spent an estimated $310 million on child care services under the Canada Assistance Plan.

Almost 10 years later, a plan to spend less money and spread it over four program areas does not work. The agreement on early childhood development, while a small step forward, will not build a comprehensive system of early childhood education and care unless there are more funds. Those steps must become strides – and soon. In the words of an Alberta child care advocate, "Just let's not have another generation of children who don't get what they need."

Down the drain: Privatized UK water no model for Canada

Down the drain: Privatized UK water no model for Canada

Deli owner Anita Strong,
Kamloops, British Columbia
Photos: Dan Zubkoff

Trusting the water she serves customers is second nature for Kamloops deli owner Anita Strong.

Except for the spring runoff season, it's always on tap. "I always offer people tap water to drink. Having good quality water is essential to so many aspects of my business."

That trust may soon be gone, if the city decides to go ahead with plans to build a new water treatment plant through a public private partnership.

"The plant's essential. It'll improve our local water quality, and the filtration will deal with the turbidity [during spring runoff]. But if it's not a public project, where's the accountability?"

Anita, who recently became a grandmother, worries about the possible impact on the very young and very old of any breakdown in accountability and quality.

"Handing over the management of our water treatment system to a private firm just doesn't make any sense. Why would we jeopardize our health by placing responsibility for water quality standards in the hands of a corporation that answers to its shareholders rather than city residents?"

She traces responsibility for Kamloops' situation all the way to Ottawa.

"Situations like this show how much we've lost in terms of federal government accountability and responsibility. They just keep downloading and offloading responsibilities, and too many end up in the laps of municipalities."

But despite a cash crunch, Anita says privatizing the water treatment project doesn't make financial sense.

"There's money to be made privatizing water services – otherwise large corporations wouldn't be so aggressively seeking these contracts. Do we really want profits from the operation of our water system flowing into the hands of shareholders rather than returning to citizens in the form of reduced costs, additional services, or even lower property taxes?"

Protecting water at its source is a low-cost way of ensuring high quality water, she says. "Not enough people are talking about watershed protection – looking at things like logging and where cattle graze. Those are solutions with no cost or low cost. It just requires laws to be passed."

She's fighting to stop city council from proceeding with anything other than a public plant.

"We can do it without handing away the keys – and we have to do it without handing away the keys. It's very short-sighted to say we can't afford to have our own water treatment plant. In the long run it will cost a lot more."

"We should be saying to our elected officials, 'Look around the world, see what a mess local governments have made out of these privatization schemes, and how much more people are paying for what is often an inferior service'."

Bloom is off British example

Anita might have been speaking of the British experience, despite the propaganda of those who argue Britain's wholesale privatization of water is an unqualified success. Proponents of privatization say infrastructure has improved and regulation is more transparent – and they urge Canadians to follow suit. But the arguments of privateers Elizabeth Brubaker and Lawrence Solomon, given wide play in the *National Post*, don't stand up to scrutiny.

It is true that investment in water systems has increased, though this increase began before privatization. It is also true that regulatory bodies are cracking down. Neither, however, is proof the privatization of English and Welsh water has succeeded.

Privatization in Britain came at firesale prices. As with the privatization of Manitoba's telephone company, British water company stock soared fivefold in the first week after privatization. By undervaluing the assets, public investment was directly transformed into private profit. At the same time, the government wrote off $11 billion in water company debt and gave them a further $3.6 billion to help the companies meet new EU environmental requirements. To complete the deal, the new companies were guaranteed private monopolies for 25 years and were given a special exemption from paying taxes on their profits.

There was no shortage of profits, as they shot up 147 per cent between 1990 and 1997 – thanks to a doubling of water rates and a reduction of 8,600 jobs, 22 per cent of the workforce. The profit margins of UK water companies are typically between three and four times higher than those of other water companies, public and private, in Europe.

Au revoir, Lyonnaise

The first day of spring 2000 had special meaning in Grenoble. After a decade of struggle, the water of this French town returned to public hands, after a long winter of discontent with water privateer Suez Lyonnaise des Eaux.

In March 2000 the municipal council voted to bring Grenoble's water services back under public control. More than ten years ago water services were privatized to Lyonnaise des Eaux – despite strong opposition – in a deal riddled with corruption.

Lyonnaise bailed out a floundering newspaper that backed the candidate they'd bought for mayor. Propped up by Lyonnaise funds, Alain Carignon won the election and held up his end of the bargain by promptly turning over Grenoble's water system to Lyonnaise. Massive price hikes soon followed, as did the birth of a citizens' movement that just wouldn't go away.

Grenoble citizens used every tool possible to expose the corruption and bribery at the root of the water scheme. And their digging paid off. In 1996 Carignon was tried and found guilty of accepting bribes. Both he and an executive of the Lyonnaise subsidiary received prison terms.

In 1995, activists fought the election, winning several council seats on a platform of returning water to public hands. However, the new council responded to public complaints about private water by creating a new body to manage the water – and then contracting the management out to Lyonnaise des Eaux.

Grenoble citizens won a series of court rulings that overturned the price hikes and nullified both the original 1989 privatization decision and the subsequent contracting-out. The March 2000 council decision sealed Lyonnaise's fate and returned Grenoble water to public control once and for all.

Bechtel tries to soak Bolivians

Last spring, outraged Bolivians drove water privateer Bechtel out of the country, opposing water rate hikes that priced this life source out of many citizens' reach.

The Cochabamba protests began soon after the Aguas del Tunari consortium signed a 40-year concession to provide water and sewer services for the city, and to supply water for irrigation and electrical generation to the Cochabamba valley. The single-bidder sale of Cochabamba's public system was pushed on government officials by the World Bank.

The consortium is led by Bechtel Enterprises affiliate International Water Limited (IWL). IWL is jointly owned by San Francisco-based Bechtel and the Italian utility Edison.

When IWL assumed control of the water systems in January 2000, it imposed massive increases for water and sewer services. Activists organized a city shutdown, forcing an agreement to reverse the increases. That agreement was not honoured. Tensions continued to grow through February and peaked at the end of March.

At the end of a week of protests, blockades and tense negotiations with the government, reports emerged that IWL was fleeing the country. When the consortium tried to backtrack, the government, feeling the heat from a pot about to boil over, announced that IWL had broken its contract by attempting to leave, and was no longer welcome.

However, IWL had done its homework, and had reincorporated as a Dutch company as it was taking over the city's water. Now, the corporation is trying to sue the Bolivian government under a 1992 Holland-Bolivia trade agreement. According to newspaper reports, the company is seeking as much as US$40 million in damages and lost future profits.

Meanwhile, local residents have control of their water system, and are drawing on international support to rebuild a strong, viable system that serves the community well.

Price hikes over the past 10 years ranged from 84 per cent to 142 per cent. Even when adjusted for inflation, water rates increased 36 per cent and sewage rates 42 per cent in the first decade of privatization. As a result, customers of private water companies in England and Wales pay twice the rates paid by customers of Scotland's public water authorities. The conservative *Daily Mail* said, "Britain's top ten water companies have been able to use their position as monopoly suppliers to pull off the greatest act of licensed robbery in our history."

Overinflated underinvestment

Some of this booty went to infrastructure investment, but the real story is not how much of the revenue windfall went to capital spending, but rather how much did not. By 1998, the ten water companies had racked up more than $33 billion in profit. Over the same period of time, they renovated or replaced less than three per cent of the country's critical sewer infrastructure – a rate of replacement that seems to be based on the far-fetched assumption that some pipes will last for more than 900 years. Leakage levels from the system have dropped, yet 22 per cent of water in the system still leaks out and questions have been raised about how leakage is determined. For example, London's water company is accused of overestimating consumption, which would artificially improve leakage figures. Other companies are said to have reduced leakage simply by reducing water pressure.

Whatever the increase in investment, it's clear that customers paid for it through increased prices. It's also clear they paid dearly for the billions siphoned off in profits.

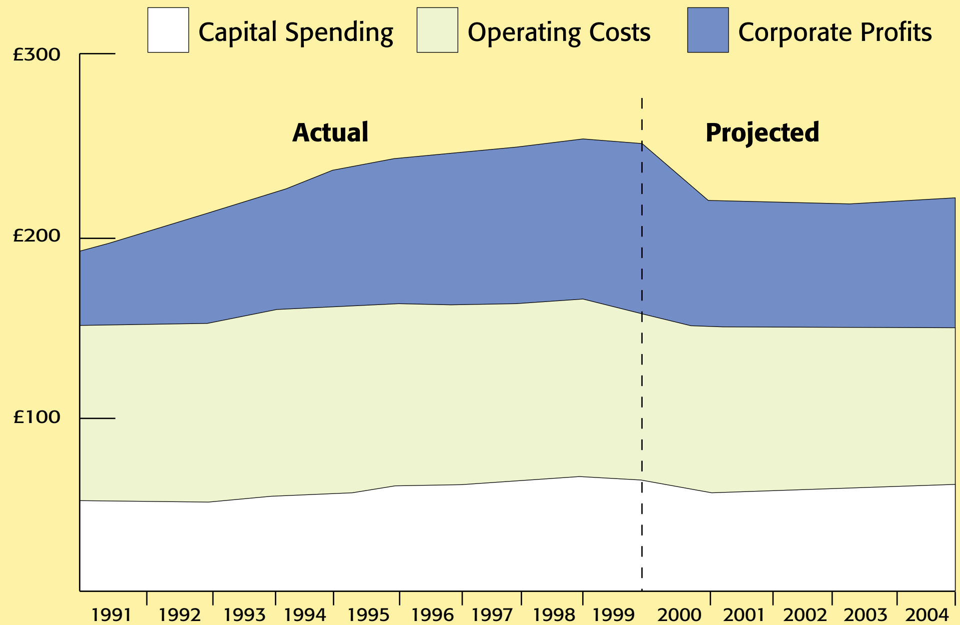
To pad these profits, water companies may well have inflated their forecasts of capital expenditures. The companies must provide the regulator with a forecast of capital expenditures in order that prices can be set. But after both the 1989 and 1994 price reviews, the companies spent less on capital investment than forecast. As a result, they were able to increase stock dividends through a 'capital efficiency' bonus instead of reducing prices for the bilked consumer. When the 1999 price review came around, the companies again forecast even more capital spending. By this time the regulator had become sceptical of their consistent over-forecasting.

Three of Britain's 10 companies deliberately cut investments in order to protect dividends. London's water company chopped almost $800 million from its capital spending yet failed to pass on these savings to its customers, who had seen price increases of 50 per cent – despite the fact the rate hikes were tied to an increase in capital spending. When Yorkshire endured severe water shortages during the 1995 drought, the regulator said the company's inability to provide service to customers was related to its practise of cutting capital spending to boost dividends.

In fact, investment peaked in 1991-92. Only North American privateers say British infrastructure is improving. The British regulator says it is simply not deteriorating. The British Parliament criticizes the regulator and says it's actually getting worse. In an all-party report in November 2000, a Parliamentary committee said, "current levels of investment may be insufficient to ensure that the basic levels of service…can be met in the future." It added that from, "1993 to 1998 water mains in poor condition increased from 9% to 11%…however [the regulator] maintains there has not been a measurable increase in the amount of assets in poor condition."

The committee rejects the regulator's " 'no deterioration' approach to the maintenance and renewal of sewers and water mains [as] a logical or acceptable means of assessing the amount of investment which water companies need to meet these requirements. [We] believe that this approach has amounted to intellectual neglect of this important problem."

Components of the Average British Household Water Bill 1991-2004



Source: Office of Water Services, UK

Profits fastest growing component of costs

A British water bill is comprised of three elements: capital costs, operating costs and corporate profits. This chart, produced by the British water regulator, shows that over the past ten years capital spending has increased slightly, operating costs have fallen and profit-taking has ballooned.

As the regulator moves to limit excess profits over the next five years, British water companies are looking for ways to offload their infrastructure costs.

[I]t is difficult to see any obvious benefits arising from [British water] privatization. The industry probably employs a lot fewer than it otherwise would have done, but too much of the profits have been siphoned off into over-generous dividends and unsuccessful diversifications. The main benefit has come from having a regulator, even though he was too generous to the companies in the early years. But even that cuts both ways: you do not need to privatize in order to get a regulator.

Editorial, The Guardian*, November 1999*

"The Commission … voices its opposition to the privatization of municipal water treatment facilities. According to the Commission, 'these facilities are a public asset and must remain so. Moreover, the citizens of Québec are unanimous on this point.' None of the municipalities have shown any intention of divesting themselves of their water supply or sewer systems."

From announcement of the Commission sur la gestion de l'eau au Québec's report summarizing public hearings about water issues in Québec. Québecers – and the report -- took a strong stand against privatization and bulk exports of water, and called for increased public infrastructure funds.

The so-called "green dowry" handed to the companies at privatization, $3.6 billion in public money to prop up the companies' efforts to meet new EU environmental requirements, was also put to work – for the companies. In 2000, the water regulator said the companies had not spent the money for a full six years, allowing it to accumulate interest and further boosting returns.

Price caps shrink the trough

Though perhaps lax on investment, Britain's regulators are finally getting tough on prices. North American fans of the British experience never mention the massive public anger over water rates, but they do praise its system of regulation, arguing government can regulate corporations but can't regulate itself. But when the British government has tried to regulate, the corporations' response is to dodge compliance by trying to unload their infrastructure.

After the regulator capped prices in 1999 and banned companies from cutting off people's water, one water company realized it couldn't continue to reap its accustomed profit. So after 12 years of handsome returns, Kelda Water (formerly Yorkshire Water) tried to unload its infrastructure – the most expensive part of water provision – yet retain the profitable operations. In the summer of 2000, it tried to establish a mutual or non-profit company owned by its customers, that would buy the physical infrastructure from Kelda, assume Kelda's debt and then hire Kelda to operate it. Welsh Water, Wessex Water, South West Water and Anglian Water all floated similar ideas.

In total, Kelda would have forced customers to buy, for $5.6 billion, the assets they used to own and assume $3.15 billion in debt the company had racked up – which now comprised 83 per cent of the company's worth. The *Financial Times* noted their sale price was more than double their original investment, and would have provided $2.25 billion to shareholders, who had already received almost $800 million. An editorial in the Yorkshire paper the *Northern Echo* said, "The directors' answer to the mess they have created is to give the business back to the public. Having milked it dry with excessive dividends and excessive wages and share options for themselves, they are walking away…The effrontery of these directors beggars belief."

The regulator turned Kelda down, but its attempt raises serious questions. If privatization has improved infrastructure and regulation works, why are British companies trying to shed their pipes and why don't they want to operate in a lower-price environment as set out by the regulator?

A decade after privatization, the central concerns about water quality, efficient service and a clean environment continue. But the water companies, concerned they may have to work for their profits, seem to be losing interest. Increasingly they are borrowing against their originally debt-free assets to invest in other – most often losing – ventures, while continuing to pay their executives exorbitant salaries. In the five years since the 10 original British monopolies lost their protection from takeover bids, five have been sold to foreign corporations, mostly energy giants looking to expand into water.

US cities drive out private water

In the United States, quite the opposite is occurring: Water companies are desperate to remain in the business. It is the municipalities that are trying to get them out of it.

In Pekin, Illinois, rates tripled after American Water purchased the drinking water system in 1981. Reflecting on the experience, the city manager said "the ethics of the company are the worst I've ever seen," and, "if you look at the facts, they're overwhelmingly against privatization," because cities can use tax-exempt status to finance construction, while private companies can't – not to mention the consumer-borne cost of their profit. Frustrated by its inability to extract a franchise agreement that codified each party's obligations, Pekin took steps to buy back its water in 1999.

The company – which had just spent $5 million battling a buy-back attempt in Chattanooga, Tennessee – spent $1 million on a referendum campaign against the city's plan. Even though the city spent just $40,000 on its campaign, the water company squeaked to victory with a mere 53 per cent of the vote. During the referendum year, Pekin was the only one of 20 Illinois cities served by American Water that did not receive a rate increase.

But Pekin is not alone. Nearby Peoria is attempting to buy back its water system. Lexington, Kentucky, was frightened off by the high legal bills that would result from trying to buy back its water. In 1995, Huber Heights, Ohio, spent two years in court fighting American Water over its water. It eventually won, and 75 per cent of voters in the Dayton suburb approved the municipal purchase. Birmingham, Alabama, voters turned down US$390 million from American Water to buy their water system in 1998 and Nashville, mindful of the problems in cross-state Chattanooga, chose to keep its water system public, too. And in bankrupt Orange County, California, where

St. John's harbour cleanup to stay public

Municipal leaders in coastal Newfoundland communities have pledged to clean up their act when it comes to sewage treatment – and they're going to do it publicly.

St. John's currently dumps untreated sewage from about 50,000 homes directly into the harbour – about 33 billion litres a year according to the Sierra Legal Defence Fund, which gave the city an F- on its last sewage treatment report card. Two other area communities also dump raw sewage.

Heading off the multinationals before they could make their pitches, CUPE Newfoundland and Labrador met with area mayors, and made the case for publicly owned and operated facilities. The mayors have made verbal commitments to pursue public options.

In addition, the municipalities of St. John's, Mount Pearl and Paradise have committed their share of the funding to build the much-needed sewage treatment plants, and are waiting for a commitment from the federal government to pay one-third of the cost under the federal-provincial-municipal infrastructure program.

A fourth community, Conception Bay South, has a sewage treatment system that desperately needs updating. Here the multinationals had a chance to make their pitch to the mayor. However, the mayor turned them down, favouring public ownership and operation.

The privatization pushers have tried to shore up what influence they have. The St. John's Board of Trade has called on new Premier Roger Grimes to turn more services over to public private partnerships. Its pre-budget submission focuses on education and health care services – and even recommends setting up a special government branch to sell off public services.

While it's also a shot across the bow to anyone supporting public services in the province, the board of trade's demands come at a time when the privateers' public private partnership is taking on water and in danger of sinking.

Kamloops water fight

Residents of Kamloops, including CUPE members, are waging a pitched battle to keep ownership and control of their drinking water.

The city has been ordered by the area health region to improve water quality, and is planning a new treatment facility that will cost an estimated $60 million.

While there is a role for the private sector in designing and building the best possible facility, city council seems determined to hand away public control by entering into a public private partnership – so much so that they used a biased public opinion survey that was slanted towards P3s to try and bolster their case.

Yet even the cost of borrowing tips the scales against private sector involvement. If the costs are shared through the federal-provincial infrastructure program and the city borrows $20 million, their cheaper interest rate saves between $5 and $7.5 million over private sector borrowing. If the city borrows the entire $60 million cost, the savings rise to between $15 and $22.5 million.

Add in any private company's profit margin as well as the loss of accountability and community control that follows public private partnerships and the P3 case collapses.

Kamloops water workers, members of CUPE 900, will continue to push for the new plant to remain in public hands, to ensure high-quality, safe and affordable drinking water.

the county had lost US$1.7 billion on the stock market in 1994, the Santa Margarita Water District remained in public hands despite a US$300 million offer from American Water.

In Missouri's third-largest city, Joplin, ratepayers were told their prices were going up by 51 per cent after its water company spent US$30 million more than two consultants said was needed to refurbish a local water plant. After a three-month investigation, *The Joplin Globe* found the regulatory regime gave the company an incentive to overpay for construction, because its prices were set by a rate-of-return method that allowed it to extract profit from each dollar spent. It also found that American Water was permitted to claim the costs of lobbying public officials to buy their water systems as an investment in water, the costs of which would be passed along to consumers.

Indeed, American Water, the largest private water company in the US, recently created its own finance department to lend itself money to build infrastructure – with no evidence the savings in interest costs are passed along to consumers. The lawyer representing Joplin, which fought the proposed rate increase, said American Water's accounting methods, "are so Byzantine that you and I would never be able to trace a dollar in the system and say, 'Aha'."

The inability of the public to scrutinize American Water's spending methods is echoed in Pekin, where the company valued its plant at US$11 million because it claimed US$8 million in investment since buying the plant. The city manager, who called their bookkeeping "deceptive but legal", said: "There is no way in this world that they have invested $8 million in this system, but that goes back to phoney bookkeeping." He says, "one of the problems is that the system is not in good condition and they have not invested as they should have done, but have raised the rates as if they had."

Privatization's empty promises

These American cities know what the auditors-general of both Nova Scotia and New Brunswick have discovered: The promises of privatization's savings don't add up. In Vancouver, RBC Dominion Securities, after reviewing the proposed privatization of the Seymour water filtration project, agreed. Before the Greater Vancouver Regional District voted to proceed with P3 financing of the plant, RBC wrote, "the [public] work done to date and the manner in which it is done, has already reduced the cost to the point where additional savings [through privatization] may be limited." A second consultant agreed, saying it could be financed at a lower cost through the BC Municipal Financing Authority.

The high cost of privatization is also evident on the east coast, where huge multinational corporations are vying to own and operate the wastewater plants needed to clean up Halifax Harbour.

From the outset, the process has been skewed in favour of a public private partnership, despite the mounting evidence of higher costs, including the recent admission by the Nova Scotia Tory education minister that P3 financing of schools cost $32 million more than publicly-financed schools.

Privateers claim the public can't finance projects anymore, ignoring the fact that governments can borrow money more cheaply than corporations and conveniently overlooking the fact that massive water companies have huge debts. One company bidding on the $315 million Halifax project, the giant Suez Lyonnaise des Eaux, has a debt of more than $35 billion, almost six times higher than its 1996 debt. In fact, private sector debt is increasing faster than public, making the choice not one between incurring debt or not, but rather one between lower-cost non-profit public financing or a profit-laden private sector option with spiralling executive salaries.

Ironically, in the case of Halifax, a viable public option was scuttled because of concerns about conflict of interest. The Halifax Water Commission – a highly efficient and profitable public agency – was barred from bidding because councillors might be pre-disposed to select the municipally-owned company and because the Commission had earlier entered into a P3 with a member of one of the consortia that was bidding on the cleanup.

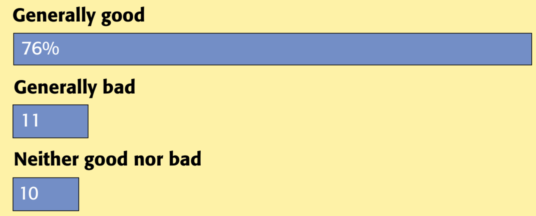
But this concern for conflict of interest doesn't appear to be applied equally. The firm contracted by the municipality to oversee the development of a public sector 'reference' bid is PricewaterhouseCoopers. It bills itself as "the leading professional advisor on privatization," and its senior vice president sits on the board of the Canadian Council for Public-Private Partnerships.

Canadians want public water

A strong majority of Canadians support public ownership and operation of water services according to an EKOS poll conducted in January 2001. Support for direct public control increases as incomes and education rise.

Overall, do you think the public ownership and operation of water services is generally a good thing or generally a bad thing?

Public Control of Water



EKOS Research
January 2001

Water forum plans scuttled

The well-laid plans of international water privateers were waylaid by activists from around the world at last March's World Water Forum in The Hague.

Organized by a handful of powerful corporations and institutions, the forum was supposed to shape a vision for the world's water in the 21st century – in particular for developing countries, where access to safe drinking water and adequate sanitation remains a question of life and death for many millions.

Forum organizers were pushing a vision tailor-made for those who wrote it – the water corporations and the World Bank. Their goal: increase private sector control of water in developing countries – a profitable new market with literally billions of "customers." Having launched their water plans in Europe and North America, the water giants are now turning their attention to the developing world in what one union observer called "the colonialism of the 21st century."

Among the forum's 4,500 participants were some dissenting voices, including CUPE representatives. When the forum opened, unions weren't on the agenda – or the guest list. Through a delegation led by Public Services International, union members from around the world created the pressure needed to make themselves heard in the ministerial meetings – and cast enough doubt on the forum's credibility that government representatives from around the globe refused to rubber-stamp the water forum's agenda.

At the same time, the non-governmental organization group issued a strongly worded statement condemning the forum as a closed meeting with a pre-determined outcome.

Neither the forum nor the ministerial conference recognized water as a basic human right, or assured access for all. And many are concerned another pressing issue didn't even make it on the agenda. International trade agreements such as the General Agreement on Trade in Services (GATS) threaten to pry open the water services market for multinationals, leaving governments powerless to defend their water.

Despite losing much of the legitimacy they once had, forum organizers are forging ahead. The next forum is planned for Japan in 2003, with Montreal next in line in 2006. Water dissenters will be there to meet them in kind.

Elsewhere in Canada, private companies are being subsidized to manage water utilities. In Hamilton, where Philip Utilities Management Corporation operated the sewage plant before going bankrupt, the new operator, Azurix, will benefit from a Philip-negotiated $10,000 a year cap on maintenance responsibilities. The remainder is picked up by the public, as was the cost of a multi-million litre sewage spill under Philips management.

In Moncton, the Vivendi subsidiary that operates the drinking water plant is deemed a municipality for GST purposes, an indirect subsidy from the federal government. Moncton is typical of long-term P3 arrangements that allow the private sector to build and operate the facility for 20 to 30 profitable years and then turn it over to the public sector at precisely the time it is most likely to require substantial renovation.

Re-examining the British experience shows that to portray water privatization schemes as successes only a few years into lengthy agreements is woefully premature. Indeed, the rich vein of P3 failures continues to yield valuable reasons for services such as water to remain public. Confronted with spectacular collapses such as the SkyDome, privatization pushers would be wise to put their declarations of success on indefinite hold.

The outcome of British water privatization serves as further reason to keep water systems in public hands. While the privateers continue the hunt for the elusive pipe dream of a 'perfect' – or even palatable – water privatization model, Canadians will continue to push to improve existing public systems.

Canadian water protection needs improvement

Drinking water protection is a patchwork, unreliable system of regulations and weak guidelines across Canada.

The country's first drinking water report card shows just how hit-and-miss those protections are from province to province. CUPE helped launch the Sierra Legal Defence Fund report card, which assigns a D grade or worse to five jurisdictions. The highest grade is only a B, highlighting the urgent need for stronger regulation and better funding.

Grades were assigned based on a survey of provincial and territorial laws and guidelines for protecting drinking water sources such as watersheds and wellfields, as well as water treatment and testing procedures and public reporting requirements.

The findings are stark. Most provinces haven't taken strong steps to protect watersheds – the first link in the water treatment chain. If water were protected from pollution at its source, treating and delivering clean water would be that much easier. Testing requirements are a patchwork in terms of frequency and what tests look for, and support for well-trained, certified workers is non-existent in many regions.

The report also highlights crumbling water infrastructure, calling for increased federal funding to upgrade and build water treatment facilities.

The need for strong federal leadership in ensuring safe water is another crucial point in the report. Along with funding infrastructure, that means setting rules.

The current federal drinking water quality guidelines set out limits on many contaminants but they don't have the force of law. The report calls on the federal government to set minimum, enforceable standards.

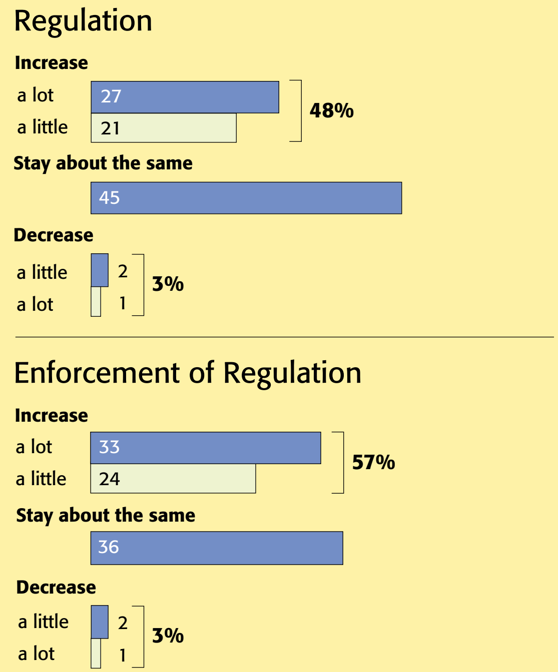
Action needed to protect water quality

Canadians support increased regulation of our water supply and by an even larger proportion, increased enforcement.

A survey by EKOS Research found concern in Ontario was significantly higher than the average, with 55 per cent supporting increased regulation and 66 per cent calling for improved enforcement of water regulations. Albertans were most satisfied with current levels of enforcement, but even here 40 per cent called for an increase.

Nationally, four out of five (79 per cent) said it was very important that they have access to the results of water testing and quality. Only 9 per cent indicated it was of low importance.

Thinking about the level of (...) in water supply service, do you think it should increase, decrease, or stay the same?



EKOS Research
January 2001

Untangling Walkerton

The contamination of the public water supply in Walkerton, Ontario in May 2000 left seven dead and countless ill. Amid the complex tangle of questions about what caused this tragedy lie some central concerns.

As the public inquiry continues to pursue answers to these questions, it's piecing together a picture of downloading, deregulation, inadequate training and privatization. These factors combined with others to break a vital link in the chain of communication and accountability that is supposed to protect public water and public health in this country.

Ensuring clean, safe drinking water becomes more difficult as environmental inspection and enforcement staff have been slashed, and towns and cities assume added responsibilities without matching financial support and technical backup.

With proper public support, Walkerton's water might still have had problems – though problems may have been spotted earlier and remedied faster. Without adequate public support, it became a question of when, not if, disaster would strike.

Walkerton also highlights just how frayed some of Canada's water systems are. Across the country, drinking water and wastewater systems are in desperate need of upgrading and repair. Poorly funded and under-resourced public systems are in danger of failing other communities. The network of services and systems that failed Walkerton needs to be repaired – not just patched up, but in some cases, rebuilt.

Mounting evidence of this need has spurred some to call for increased privatization as the only solution to crumbling infrastructure and lax regulation.

Both the Canadian Council for Public-Private Partnerships and the Harris government have moved swiftly in the wake of the Walkerton tragedy to push for even more privatization of Ontario's water.

Yet given the role of private labs in the frayed system of checks and balances that failed the residents of Walkerton, to advocate further privatization is rash and irresponsible.

The effects of provincial policies such as deregulation and financial cuts must also come under scrutiny. Those policies create a self-fulfilling prophecy by undermining public systems. Having starved the systems of cash and regulatory oversight, pro-privatization advocates now argue there is no alternative but to turn to the private sector.

Equally important, the commission has yet to make its recommendations on improvements for staff training at waterworks, an obvious part of a public solution.

While those who seek to make profit from one part of water delivery and ignore the whole system forge ahead, many others believe it is important to allow the inquiry to hear the evidence and make recommendations before drawing conclusions and rushing to decisions.

Prescription for clean, safe public water

1. Increase federal funding for the construction and renewal of water treatment and delivery infrastructure through the federal-provincial-municipal infrastructure program.

2. Make federal funding contingent on public ownership and operation, and meeting water protection requirements.

3. Ensure that strong regulation is backed with equally strong inspection and enforcement in all areas, including testing and treatment of drinking water.

4. Protect drinking water at its source by enacting comprehensive watershed and wellfield protection.

5. Require training and certification for the operators of public water systems, and offer support for those seeking training.

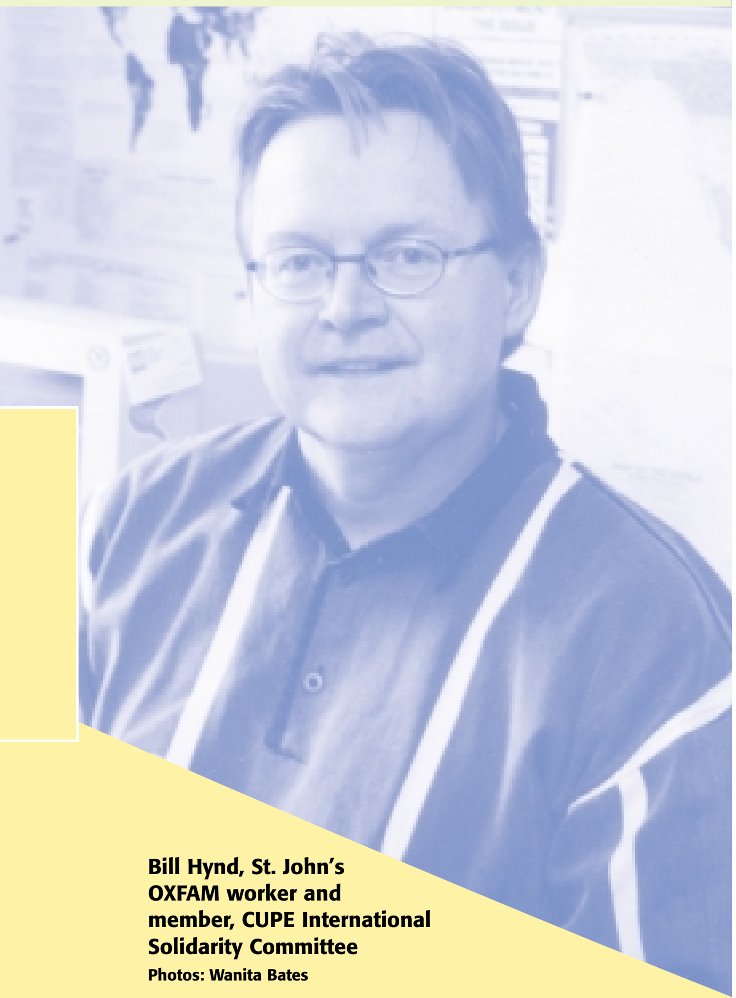
6. Provinces should adopt and enforce federal *Guidelines for Canadian Drinking Water Quality* as minimum standards.

7. Enact stringent reporting requirements and establish right-to-know provisions for water consumers.

8. Give citizens the right to sue jurisdictions that fail to meet water standards, as is allowed in the U.S..

At the stroke of a pen: Governments trade away public services

At the stroke of a pen: Governments trade away public services



Bill Hynd, St. John's OXFAM worker and member, CUPE International Solidarity Committee
Photos: Wanita Bates

'Think globally, act locally' used to be magnetic north for activists.

Bill Hynd's reset his compass for a new era of international trade deals. "Now it's about acting globally. When you're fighting locally, you've always got to have your eye on fighting at the global level, too."

In his nearly two decades of international development work with Oxfam Canada, he's made the connections about how trade affects people at home in Newfoundland and around the world.

"To most people, 'international solidarity' means 'those people over there want our money'. The reality is – what happens to them will happen to us. If we don't fight the fight there, we'll feel the consequences here, too."

He's seen the free trade fallout of the NAFTA and FTA, and is staring down a new Free Trade Area of the Americas and the *General Agreement on Trade in Services*.

"With these agreements our voice has been taken away. Governments are signing these deals without consultation, even though they'll impact our local communities. Decisions made globally affect us locally and we have no say in the matter."

The Canadian government is part of the problem, as it surrenders its ability to pass laws, regulate and support public services, says Bill.

"They're opening it up to things like private health care, to corporations that only work on a for-profit basis for their shareholders. Education and health care are rights. If a person is to live a life of dignity and opportunity, they need to have their rights met. Trouble is, there's no way to guarantee people's rights being met once they've become global privileges.

"There's a serious shift going on with negotiations like the GATS. Corporations are looking for areas where they can increase their influence and make a profit. They see health and education as financial bonanzas, not public services. I get mighty concerned when things move from the public agenda to the trade agenda."

Bill says people at home react strongly when he talks to them about the Canadian government's trade plans.

"These are workers trying their darndest to keep family going and earn enough to support them. They don't know this is the plan. When you point it out, it's a shock."

As the light goes on for more and more people, Bill's urging them not to throw up their hands.

"Despair is a first world luxury. The rest of the world just has to get on with it. People are quick to despair. They're not as used to the emotion called anger. People have to spend a little less time despairing, and a little more time getting angry."

That anger has spilled over whenever world leaders meet to talk trade. Increasingly, it's welling up here in Canada as the federal government paves the way for privatization of public services through international trade agreements.

Treading a dangerous path

The Canadian government started down the privatization path in 1989 with the Canada-US *Free Trade Agreement*, which expanded to include Mexico under the *North American Free Trade Agreement* in 1994. The federal government continues to pursue an aggressive international trade agenda, pushing to expand NAFTA across the hemisphere through the Free Trade Area of the Americas.

Through its membership in the World Trade Organization, Canada is also playing a leadership role in driving negotiations on the GATS. A growing number of Canadians are concerned their elected representatives are signing trade deals that hand corporations dangerous new powers, providing the tools to privatize public services and strip away regulations that protect public and environmental health. In the new world trade order, public ownership and protection of services – even health care, social services and education – are attacked as barriers to international trade

Expanding market liberalization means shrinking restrictions on corporate activity. Trade promoters argue a corporate *quid pro quo* – let foreign companies into Canadian markets so that Canadian corporations can profit from international markets. In the same breath, trade pushers argue that all services must be included on the newly-opened market, putting health care, education and a host of other services at risk. Assurances that Canadian health care and education are shielded are being exposed as flimsy, ill-informed promises. Indeed, new research shows that the very heart of Medicare is on the table and in danger of being traded away.

Pushing the boundaries

Each successive international trade agreement builds on the previous one and seeks to further extend its reach in terms of both the number of countries and the scope of corporate investment rights.

Return to sender: Public postal services under attack

United Parcel Services launched a NAFTA claim in January 2000, targeting Canada Post's underwriting of parcel and courier services. UPS is demanding $230 million in compensation from the Canadian government. UPS claims it faces unfair competition, complaining that Canada Post uses its monopoly on mail delivery to subsidize its costs for parcel delivery and courier services.

This Chapter 11 investor state dispute strikes at the heart of public services. If UPS is successful, not only will it cost the Canadian government millions of dollars, it could also force the federal government to break up the established public, postal system.

UPS tried unsuccessfully to bar Canada Post from the courier and parcel delivery business during the Mandate Review of Canada Post. Now UPS is using Chapter 11 of NAFTA to forcefully tip the scales in its favour.

Canadian public postal services are a national, integrated system of mail, courier and package delivery services. If UPS succeeds in dismantling this system, Canadians will see a diminished public service and an increase in cost, as well as the loss of thousands of good public sector jobs.

The six million Canadians who live in rural communities will be hit especially hard. Private courier companies like UPS don't offer speedy service to rural areas, preferring to focus on the lucrative urban markets. As a result, smaller communities are likely to see reduced mail services, higher costs, reduced job opportunities and a weakened support system to seniors living independently.

If UPS wins, other monopoly or integrated public services and state enterprises could be vulnerable to similar challenges. For example, public utilities like water and energy could be at risk, as could public health care, public auto insurance, municipal services and education.

The most important group for US promoters to get on board [for the GATS] have been the other 'Quad' members of the WTO – namely, Canada, Japan and the EU. For the large part, they have been extremely successful, convincing the European and Canadian governments that they should stop protecting their comparatively extensive public sectors in order that their service corporations can benefit from new export opportunities to be freed up under the GATS… The Canadian government has taken a similar approach [to EU representatives], abandoning the protection of its domestic public services, and actively encouraging its service industries to be more aggressive in identifying export opportunities. The government has even done this in the face of obvious disinterest from businesses, aggressively persuading them to define what they could gain from the negotiations."

From In Whose Service? The threat posed by the General Agreement on Trade in Services to economic development in the South*, A World Development Movement Report by Ellen Gould and Clare Joy*

NAFTA was the first enormous leap. The deal was the first to give corporations the right to sue governments for "expropriation" – compensation for lost current or future profits due to government actions or measures that interfered with their ability to do business.

In the same year NAFTA came into force, the first multilateral agreement on trade in services was born. The *General Agreement on Trade in Services* opens up a large and growing sector of the economy to international trade rules. In Canada services account for two-thirds of the economic activity, making this sector a key corporate target.

The GATS talks, which started after the failed Seattle round of the WTO, target public services. The federal government has signed on to the GATS, committing Canada to the goal of prying open what corporations see as a multi-billion dollar business opportunity. Sergio Marchi, Canada's ambassador to the World Trade Organization (and former international trade minister) chairs the GATS negotiations.

The GATS is an ambitious and comprehensive agreement covering all government measures that affect services. Certain GATS rules apply to all service sectors even if the government has not listed or committed these sectors for negotiations. For example, GATS rules apply to all ways of supplying or consuming a service.

In other respects GATS is a "bottom-up" agreement, where features such as national treatment and market access provisions are triggered only when those sectors are specifically listed by each government. Governments can list exceptions and limitations on coverage in sectors where they make specific commitments to negotiate under GATS. However, the powers behind the GATS have an itchy trigger finger. Exceptions and exclusions from GATS will be challenged over time through built-in commitments for continued expansion of coverage by increasing each country's list of commitments. GATS members including Canada are committed to "successive rounds of negotiations… aimed at achieving a progressively higher level of liberalization," making it simply a matter of time before public service protections are worn away.

The powerful US Coalition of Service Industries, a key lobby group in GATS talks, has argued that "public ownership of health care has made it difficult for US private sector health care providers to market in foreign countries." The group goes on to list a number of negotiating objectives, including allowing "majority foreign ownership of health care facilities" and obtaining "market access and national treatment commitments allowing provision of all health care services cross border."

Limiting government power

Any government measure that affects services, even indirectly, is vulnerable to GATS scrutiny and potential challenge. This includes measures taken by federal, provincial and local governments as well as crown corporations, and non-governmental organizations acting on behalf of governments. Laws, regulations, administrative decisions and guidelines are considered measures. Casting as wide a net as possible, the GATS will seek to minimize subsidies and grants, performance requirements, local content provisions, economic quotas or tests, restrictions on ownership of property or land, limitations on access to markets, licensing standards and qualifications, nationality requirements, residency requirements and more.

Government procurement is currently exempted from some GATS provisions but the built-in agenda requires future negotiations to bring it under GATS rules, limiting the ability of provincial and municipal governments to 'spend strategically' by supporting not-for-profit agencies or local businesses.

Public regulations are another key target of this GATS round. Canadian trade ambassador Sergio Marchi has identified regulatory reform as a priority for negotiations. The mandate for regulatory reform through GATS is broad – including professional qualifications and licensing, licensing and accreditation of facilities, financing and funding of services and overall administration. It is also aggressive, requiring that the least trade restrictive policies be pursued in each of these areas so as to avoid "unnecessary barriers to trade." Over time, the GATS will eat away at public regulations, since GATS commits governments to ongoing negotiations examining regulations to ensure they are no more burdensome than necessary. This emphasis puts pressure on governments to remove regulations that impede private corporations' ability to make profits from services including water, health care, education and energy.

In the case of water, Canada's provinces have domestic technical regulations for services related to water that cover the method of sampling and inspection, reporting to the government and public and who can perform certain functions (engineers with accreditation and experience). The Walkerton tragedy of death and illness due to contaminated water underscores the importance of maintaining and strengthening public regulation in this area. Yet it is precisely these initiatives that the GATS seeks to whittle away.

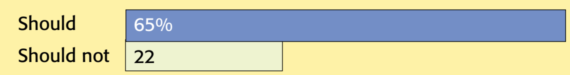
Health, education left exposed

The federal government repeatedly claims that public health and public education are protected from the privatizing scope of the GATS. Canada, the government argues, has not "fully listed" or committed health and education for negotiations under the GATS. This, coupled with Article 1.3 of the GATS that excludes certain services provided in the "exercise of governmental authority", is how the government claims public health and public education are protected. However a recent study reveals that the federal government has listed public health insurance – the heart of Medicare – in the GATS. This means foreign investors could use their rights in the

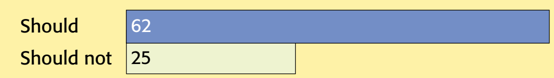
Canadians look to governments to regulate foreign investors

For many Canadians the swirl of acronyms and arguments makes it difficult to follow the trade debate. But a recent Vector poll shows that by a margin of three to one, Canadians are clear about their desire to protect the power of governments to make decisions in the public interest. Among these decisions is the right of governments to choose local and not-for-profit suppliers over foreign multinationals. In each case, support is highest among Quebec respondents.

Do you believe that governments should or should not have the right to regulate foreign investors in the public interest?



Do you believe that governments should or should not have the right to give preference to local or not-for profit suppliers of services over foreign multinational corporations?



Vector Poll
January 2001

Side deals sideline workers' rights

Labour side agreements are touted as a way to ensure workers are protected in any trade agreement. The track record of NAFTA's labour side agreement shows workers get conferences, seminars and studies instead of action to protect their rights.

The three NAFTA countries signed the North American Agreement on Labour Cooperation (NAALC) in 1993. On paper, the agreement commits Mexico, Canada and the United States to promote labour principles including the right to unionize, the right to bargain collectively, the right to strike, protection of migrant workers, the right to a minimum wage, hours of work and other standards. The agreement allows workers to file complaints if a principle is violated. But the complaints process has proven to be long and drawn-out, with limited union participation.

For example, the Canadian Union of Postal Workers filed a NAALC complaint against Canada for denying rural and suburban mail couriers the right to unionize and bargain collectively. In response, the US National Administrative Office refused to accept the complaint claiming it was outside its jurisdiction. In making the decision, the NAO heard from Canada Post without making the union aware of the employer's submission. CUPW was not allowed to respond, and NAO decisions cannot be appealed.

The only outcome of CUPW's complaint was a government-sponsored workshop on labour rights in the US and Canada. It seems this is the most workers can hope for out of the NAALC.

A review of 23 NAALC complaints filed in the seven years since it came into effect shows that of the cases accepted for review, ministerial consultations have been recommended in only 10 cases. Of those cases, the consultations have led to about four conferences, three public seminars, and two studies.

Compare that to the corporate victories as a result of complaints under NAFTA's Chapter 11 investor state provisions, and it's clear who NAFTA protects, and who's been left on the sidelines.

GATS agreement to gain access to provincial health care services.

The study, published by the Canadian Centre for Policy Alternatives, also concludes that under GATS, the federal government would not be able to introduce much-needed new innovations such as public home care or a national prescription drug program. Foreign corporations could use their rights under GATS to demand the right to provide these services.

The reliance on Article 1.3's qualification of "in the exercise of governmental authority" also offers weak protection against privatization. Further in the same GATS article, that phrase is qualified as "any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers." Very few public services meet this narrow definition, as most public health, education and social service systems involve a mix of public and private funding and public, non-profit and commercial delivery that will not find shelter under this exclusion.

In addition, food, cleaning and laundry services are not excluded from GATS negotiations. Private corporations can use the GATS to gain the 'right' to provide these services, gaining an important toehold for further privatization of the public health system.

In other cases, the federal government has made no effort to protect a number of important public services from the full effect of the GATS. These services are listed in Canada's schedule of commitments under the GATS and are therefore subject to all GATS rules. For example, under environmental services Canada has listed sewage services, refuse disposal services, sanitation and other environmental services.

FTAA dangerous hybrid

In lockstep with GATS talks, negotiations are underway to incorporate key elements of NAFTA and the GATS into the FTAA, or Free Trade Area of the Americas. The FTAA seeks to include North, Central and South America as well as the Caribbean (except Cuba) under one trade regime.

The FTAA represents the most ambitious trade agreement yet. While modeled on NAFTA, the FTAA will go far beyond NAFTA in its scope and powers. It combines NAFTA's most dangerous parts, including its Chapter 11 investor state provisions, with the sweeping scope of the GATS, going even further than the GATS to propose "universal coverage of all service sectors".

International Trade Minister Pierre Pettigrew has said that he will not sign the FTAA if it contains investor-state provisions like NAFTA's. Yet this position seems to contradict the position taken by Canada's trade negotiators in the FTAA talks.

Sweeping new services provisions in the FTAA combined with the existing and possibly extended NAFTA investor state provisions creates a whole new threat. It would give transnational corporations in this hemisphere enormous powers to challenge government control over health care, education, social programs, water delivery, environmental and natural resource protection, culture and government services at all levels – federal, provincial and municipal.

NAFTA chapter gives corporations big stick

The ability to sue governments for lost profits – both current and future earnings – was introduced with the North American Free Trade Agreement.

NAFTA's Chapter 11 expands and protects the rights of foreign and domestic corporations, giving them the power to sue governments for passing laws or making other decisions that affect present or future business activities and profits. The disputes are settled in private, by a secretive tribunal process.

Corporations using these provisions have launched several multi-million dollar suits against the Canadian government. The growing number of costly investor-state disputes under this chapter of NAFTA show how this agreement threatens the authority of governments to pass laws and provide public services.

Many fear NAFTA's investor state provisions help cement dangerous experiments such as Alberta's Bill 11, making it virtually impossible to return services to the public sector once they have slipped into corporate hands.

From water to environmental controls to public postal services, corporations are seizing on Chapter 11 as an opportunity to chip away at Canadian protections. A similar provision is proposed for the Free Trade Area of the Americas (FTAA), expanding the corrosive influence of NAFTA across new borders.

Corporations vs Canada: NAFTA Chapter 11 claims

Company	Reason	Amount Claimed	Judgement
Ethyl Corp.	Ban on import of MMT additive	US$250 million	Canada settles out of court, paying $19 million in damages
S.D. Myers Inc.	Ban of exports of PCBs	$40-50 million	Canada guilty – fine to be determined. Canadian government appeals decision
Sun Belt Water Inc.	BC's ban on exports of bulk water to US	$14 million	Pending
United Parcel Services	Canada Post-subsidized parcel delivery unfair competition	$230 million	Pending

FTAA faces stiff opposition

The Free Trade Area of the Americas is intended to be the most far-reaching international trade agreement in history, expanding the North America Free Trade Agreement (NAFTA) to all other countries of the Western Hemisphere except Cuba. Launched in 1994, the FTAA would be the largest free trade zone in the world covering 34 countries with a population of 800 million and a combined GDP of $11 trillion.

At the April 2001 Summit of the Americas, hosted by the Canadian government in Québec City, heads of governments will gather to review progress toward a hemispheric accord. While the Canadian government has yet to release a draft document despite repeated calls, it is clear the FTAA seeks to combine NAFTA's investor state provisions with the across-the-board services assault of the GATS. Some countries are pressing to finalize this dangerous agreement by 2003, two years earlier than originally planned.

Protestors will converge on Québec City to call for an end to the FTAA. Heavy-handed police response has made this one of the largest security operations in Canadian history, fearing a repeat of the negotiations shutdown in Seattle in 1999.

With fortifications worthy of a war zone, the summit is designed to shut out opposition. A two-meter chain link fence will seal the perimeter of the Summit's security zone, with access severely limited.

Ironically, the organizers' response has further legitimized protestors' concerns and criticisms. Every attempt to quell dissent helps substantiate the criticisms of a secretive, undemocratic, corporate-centered process that is not in the interests of Canadians – or other hemispheric citizens.

Many fear it will be virtually impossible to maintain a public health care system under an FTAA which guarantees equal treatment to American private health companies. Those corporations would be armed with the power to demand greater access to deliver health care services, backed by the threat of costly and secretive dispute resolution procedures. The progress of negotiations behind closed doors leaves many fearing the worst about what protections Canada is surrendering at the table.

Workers in the Southern Hemisphere are also concerned about the draft FTAA. Trade unions representing 20 million workers in the Southern Common Market of Argentina, Brazil, Paraguay and Uruguay called on their governments in December 2000 to put the FTAA to a popular vote because they believe that this hemispheric trade deal will have very negative consequences for their people.

Shielding public services

The federal government has been a willing partner in trade deals that expose public services to privatization and scrap public regulations. With every new investor state dispute, the threat posed by current trade agreements to public services becomes clear. As the scope of successive agreements expands to engulf ever-larger portions of the public sector, the need for action becomes more urgent.

To move forward with GATS and FTAA talks would spell disaster for Canada's health care and education, as well as environmental and social protections and national sovereignty. The Liberals, a government without a mandate to privatize, are getting a strong message from Canadians. It's time they showed some leadership and heeded the call to protect public services instead of offering them up to the world's corporations. In doing so, they would start writing a new future that offers Canadians a better deal.

AIT takes aim at public services

Talks to renegotiate Canada's *Agreement on Internal Trade* are targeting public services and government regulations, mirroring the global trade agenda at the provincial level.

The AIT, a deal between the provinces, territories and the federal government, came into effect July 1, 1995 shortly after NAFTA and the World Trade Organization. It helps extend international trade agreements into areas of provincial authority by requiring provinces to ensure the measures they adopt and maintain aren't a barrier to international trade.

Business representatives are pushing for broader coverage, stronger enforcement and a greater ability for corporations to challenge government policy measures. The corporate lobby sees this agreement as the crowbar that will force open public services to private companies – especially within health, energy and social services.

Corporations also want to eliminate local supplier preferences that allow governments and crown corporations to support regional economic development. In addition, the business to-do list includes eliminating or reducing government regulations such as minimum standards and requirements concerning health, safety and fair treatment of consumers and workers.

Business also wants to raise the stakes by turning this political agreement into one that's legally binding, with NAFTA-style investor state provisions that would bring increased costs to governments who refuse to comply with the decisions of trade dispute panels.

In 1998 CUPE played an important role in stopping the expansion of the AIT to public services in the areas of health and social services. In British Columbia school and municipal supply contracts were also excluded.

This round of AIT negotiations renews the fight to maintain the exclusion of health and social services, including the exemption of contracts with non-profit providers. It will be equally important to retain the exclusion of Crown corporations and the energy sector, while preventing the AIT from becoming legally binding and maintaining decision making by consensus among the provinces and territories.

Public consultations took place last year as part of the renegotiation process, leading up to a national consultation in April, 2001. Public sector supporters have intervened at every stage to ensure this mini-NAFTA doesn't become a mega-problem for Canadians.

Metalclad shows NAFTA's ironclad corporate rights

A NAFTA tribunal ruling about a toxic waste dump in Mexico shows how trade deals can tie the hands of municipal governments acting to protect the public interest.

The Metalclad Corporation successfully sued the Mexican government under NAFTA because a Mexican municipality refused to let the US company operate a toxic waste dump within its bounds.

The trouble arose in Guadalcazar, where Metalclad bought a toxic waste dump that was the centre of local health concerns. Granted permission to clean up the dump, Metalclad then proceeded to expand its operation. Municipal officials denied the company a building permit, citing environmental concerns, local opposition, and the company's poor track record. The state also denied permission to re-open the site after studies showed it would contaminate the local water supply.

The efforts of local authorities to protect the health of their community threw a wrench in the company's plans. Metalclad, which had started construction without waiting for all levels of approval, accused the Mexican government of violating Chapter 11 of NAFTA. Instead of seeking to settle jurisdictional questions in Mexican courts, Metalclad opted for the big stick right away, claiming US$90 million in damages and lost profits.

The NAFTA tribunal – meeting in Washington behind closed doors – sided with Metalclad, but lowered the award to US$17 million. The Mexican government has appealed.

The ruling sends a dangerous signal that municipal and provincial governments are bound by NAFTA's harsh investor state provisions, even though neither level of government was a party to NAFTA.

The Mexican government's appeal of the ruling was heard in a BC court in February 2001, the first appeal of its kind. CUPE sought standing at the appeal, arguing the case had far-reaching implications for municipal governments trying to protect the environment and public health.

While the court only awarded formal standing to the Canadian and Québec governments, CUPE continues to raise concerns about this decision. The Metalclad case highlights the possibility that foreign corporations will use NAFTA's Chapter 11 to push the boundaries even further, challenging any restrictions on their ability to profit from the delivery of public services and forcing widespread privatization.

Prescription for better trade deals

Fair trade of goods can benefit working Canadians and should be governed by agreed upon, international trade rules. But trade rules must not undermine the national and domestic interests of working people in any nation.

Trade rules must be fair, not free. They must not allow one nation to control any other, nor should they allow corporations to dictate to a nation. Trade rules should not undermine a nation's ability to regulate its own economy, nor should they prohibit favoured treatment of domestic industries or services where such treatment serves a public interest.

International trade agreements like NAFTA, the GATS and the FTAA should be repealed and renegotiated to:

1. Exclude all public services and public service systems.

2. Protect and defend the right of Canadian governments at all levels to regulate in the public interest.

3. Protect the ability of Canadian governments at all levels to favour local and not-for-profit providers and content, such as municipal procurement policies that favour local and not-for-profit providers of services and goods.

4. Remove the built-in requirements in trade agreements like GATS that commit all member governments to pursue further and deeper liberalization of trade.

The inherently undemocratic World Trade Organization is not capable of developing or enforcing fair trade rules. As an institutional superpower with an effective veto over democratically elected national governments through its rules and enforcement mechanisms, the WTO is a barrier to fair trade.

Thumbs up thumbs down

Thumbs up thumbs down

Canada

Thumbs down…to the federal government for opening the door to privatization by systematically under-funding public services and social programs. The Liberals have recently increased Canada Health and Social Transfer cash payments, but have not restored program financing to pre-CHST levels, leaving health care, social assistance and post-secondary education at risk.

Thumbs down…to Industry Canada for continuing to push privatization through public private partnerships. This federal department, along with the Canadian Council for Public-Private Partnerships is co-sponsoring a catalogue of P3s across the country, as well as a guide for "transitioning" workers into privatized operations.

Thumbs down…to federal health minister Alan Rock, for dropping the ball on Bill 11, Alberta's private hospital law by ignoring the law's trampling of the *Canada Health Act* and dangerous NAFTA repercussions. The Liberals may well be remembered as the government that let Medicare slip away on their watch.

Thumbs down…to the federal government for not establishing a national system of grants for post-secondary students. Neither Liberal 'solution' makes the grade with students. The Millennium Scholarship program helps only a fraction of students in need. Only those with money to begin with can access the federal Registered Education Savings Plans, keeping the pressure on families to bear the cost of their children's education while creating a system of 'grants' for the wealthy.

Thumbs down…to the federal government for taking back administration of the Canada Student Loan Program from Canada's chartered banks – only to turn around and contract out administration to two new private companies.

Thumbs down…to the federal government for encouraging corporate control of university research through the Canada Foundation for Innovation while under-funding research in the humanities. The CFI offers public subsidies for private profits and allows corporate donors to dictate research priorities.

Thumbs (up then) down…to the federal government for renewing the federal infrastructure program, but not providing enough money for pressing water infrastructure needs. An extra thumb down for letting the private sector 'participate' in the program.

British Columbia

Thumbs down…to private lab giant MDS for their sloppy handling of confidential lab records. A Vancouver woman received hundreds of patient medical files and staff information in her personal email. She contacted MDS, but it took nearly a year for the emails to stop. The lab corporation blames an old email system, but the incident highlights the problems that can arise when a private company deals in sensitive information outside the reach of the province's privacy commissioner and other public regulation.

Thumbs up…to the British Columbia government for its $350 million pledge to expand day care and significantly reduce child care costs for tens of thousands of parents. While there's still work needed to improve pay and working conditions for child care workers, the increase in the number of licensed day care spaces will make it easier for parents to find high quality, affordable care for their kids.

Thumbs down…to provincial Liberal MLA and labour critic Kevin Krueger for calling hospital workers "overpaid toilet cleaners," displaying a complete lack of understanding of support workers' integral role in the health care system. Health care workers aren't providing 'hotel services' when they're cooking, feeding and cleaning – they're helping patients get well.

Thumbs down…to the city of Kamloops, for pushing plans to privatize water treatment through a 20-year public private partnership. To manufacture the impression of public support, municipal officials used a flawed public opinion survey that was biased in favour of P3s.

Thumbs down…to the Greater Vancouver Regional District for turning the Seymour water filtration project over to the private sector – despite evidence public ownership would be just as cheap if not cheaper.

Alberta

Thumbs down…to the provincial government for passing Bill 11, health legislation that opens the door to privatized hospitals. And a thumb down to the College of Physicians and Surgeons of Alberta for approving the standards that will allow private facilities to perform surgical procedures needing overnight stays. Bill 11 endangers public health care not just in Alberta, but across the country.

Thumbs down…to the provincial government for giving the private, for-profit DeVry Institute of Technology degree-granting status. This US corporation is seeking similar powers in Ontario, a move that will further erode an already underfunded public post-secondary education system.

Thumbs down…to the provincial government for deregulating the electrical industry. Staggering cost increases make it clear that market forces cannot meet the need for reliable, affordable electricity.

Thumbs up…to the Banff Public Library for eliminating library membership fees and calling for increased provincial and municipal funding to ensure full community access. The immediate result of the library's decision was a dramatic increase in library membership.

Thumbs (up then) down…to the Calgary Board of Education for ending all contracting out of cleaning in a number of schools. Unfortunately, after bringing the work in house, no in-house positions were created. The result was greatly increased workload for existing caretakers who already contend with serious staffing and workload problems.

Thumbs down…to the Alberta government for creating the conditions that allow something as bizarre as a combination grocery store – school to take root. The Edmonton Catholic School Board is using a public private partnership to build a needed school, entering into an agreement with the Sobeys chain that will see a school sharing space with an IGA. Nova Scotia's experience shows P3 schools are a bad idea. Schools should be built and maintained with public funds to ensure public accountability and control of public education.

Saskatchewan

Thumbs Up…to the town of Meadow Lake for contracting in its year-round swimming pool operation. The pool was previously operated by a community group with funding from the town. It always ran a deficit and the employees, life guards and pool attendants were never considered town employees.

Thumbs down…to the government of Saskatchewan's ministry of health, for ignoring the value of public emergency medical services. Saskatchewan Health initiated the Emergency Medical Services Development Project to plan a badly-needed province-wide Emergency Medical Services system. The government lacked the courage to take on the private ambulance sector and prevented the review team from studying a provincially-owned EMS system. The resulting report protects the interests of the private ambulance services and recommends a new EMS system where they can continue to profit from medical emergencies.

Thumbs up…to the town of Kindersley, for returning their recreation services to public control by not renewing their contract with British multinational Serco. The contract expired at the end of 2000, and Serco's turfing comes on the heels of a similar expulsion from Weyburn, Saskatchewan last year.

Thumbs down…to First Group Ltd. for moving in on public school bus services. This UK-based rail and bus giant has bought Hertz Bus (Regina) Ltd., a locally owned private school bus fleet. Many of the province's school divisions own and operate their school bus fleets, and the trend has been to contract in school bus services. First Bus Canada will no doubt want to expand their fleet by pushing privatization on other school divisions.

Manitoba

Thumbs up…to the Manitoba government for taking a strong stand against private health care, sending the BC-based False Creek Surgical Centre packing. Health minister Dave Chomiak says licensing private hospitals is "contrary to the principle of Medicare." Instead, the government's promised to tackle waiting lists by improving the public system.

Thumbs up…to the Manitoba government, for adopting a plan to cook food in-house for Winnipeg hospitals and nursing homes. Manitoba's auditor found a previous reheated frozen food scheme made some expensive mistakes – including signing an agreement with privatized services giant Aramark that had no price guarantees and no standard menu. The Urban Shared Services Corporation project's budget racked up a $10 million cost overrun. The new plan will be better value for Manitobans – and better quality for patients.

Thumbs up…to the Manitoba government for introducing legislation requiring a referendum on any privatization of Crown corporations – a law that will be binding on future governments. The legislation will force privateers to let the public decide before any privatization scheme can go ahead – something that did not happen with the botched privatization of Manitoba Telephone System.

Thumbs up…to the Manitoba government for protecting public water, passing a law banning bulk water exports from Manitoba.

Thumbs up…to the many Manitobans who signed cards urging provincial health minister Dave Chomiak to fix long-term care in the province. CUPE researched and produced a report that paints a frightening portrait of decreasing resident care levels and staff burnout. The report was presented to the minister in April 2000.

Ontario

Thumbs down…to the Ontario government for charging ahead with plans to privatize the province's water systems. The sheer arrogance of floating such a scheme before the Walkerton inquiry had even begun to hear evidence about the role of government policies in the tainted water tragedy is matched only by the blinkered ideology that fuels pro-privatization arguments in the face of failed water sell-offs in Britain, the United States and elsewhere around the globe.

Thumb down…to the Ontario government for passing a law permitting private, for-profit corporations to set up shop as 'universities.' The new diploma mills will do nothing to repair crumbling infrastructure, hire more workers and ease overcrowded classrooms in the province's public institutions. For-profit universities will siphon scarce dollars out of the public system and expose all post-secondary education to the NAFTA danger that foreign corporations will demand access to the education 'market.'

Thumbs down…to the province's cancer agency, Cancer Care Ontario, for turning to private solutions to long cancer treatment waiting lists. Contracting out after-hours essential cancer radiation treatment to a for-profit corporation poses a threat to the universality and not-for-profit provisions of the *Canada Health Act*, and leaves health care open to further privatization under free trade rules.

Thumbs down…to the Ontario government for handing the new Telehealth program to the private, for-profit Clinidata corporation. It defies logic how $45 million in public money can pay for 144 teletriage nurses, unless the nurses are issued with solid gold phones. Public options for this program included providing it through hospital emergency programs, community health centres, or a publicly-run call centre – all better uses of the $45 million than the profit-padding that undoubtedly takes a dent out of Clinidata's service budget.

Thumbs down…to the Ontario government for its ill-fated scheme to contract out road maintenance, and the ensuing cover-up. The government claimed it saved five per cent of the total cost of maintenance, or about $12 million a year. The provincial auditor examined four pilot projects and found the government fulfilled its savings promise by overstating the cost of government workers. In reality, three of the projects were costing more than public maintenance would have and total savings were less than 1 per cent. The government also used a high road safety rating garnered in 1997 when most roads were still publicly maintained.

Thumbs down…to the Ontario government for its ongoing "welfare reform" contract with Andersen Consulting (newly renamed Accenture). The provincial auditor revisited this contract late in 2000, to see whether his stinging 1998 report criticisms had hit home. While some changes have been made, Andersen is still billing enormous amounts for questionable results. The auditor noted that while Andersen has dropped its consulting rates, it's new 'bargain basement' prices are still well above what ministry staff would cost to do the work. He also questioned "the advisability of having paid Andersen Consulting over $95 million to March 31, 2000 given that the project was significantly behind its original schedule."

Thumbs down…to the Ontario government for its unaccountable spending habits. The provincial auditor found that half of all government spending – about $30 billion – is through private agencies or arms-length groups, which are shielded from the scrutiny of the auditor's office. Ontario residents are left wondering how many costly contracting out and 'alternative service delivery schemes' the government doesn't have to answer to taxpayers for.

Thumbs down...to OMERS (the Ontario Municipal Employees Retirement System) for investing public workers' pension money in privatized long term care, financing eight new Extendicare facilities through its subsidiary Borealis.

Thumbs up…to the city of Kingston and its municipal workers, members of CUPE 109, for defeating plans to privatize garbage services. A strong pro-public coalition made a watertight case against pursuing privatization, highlighting the higher cost and reduced accountability that would come with private garbage.

Thumbs down…to Toronto mayor Mel Lastman for continuing to ignore green public-sector solutions in his own backyard that would solve the city's garbage 'crisis', like Guelph's wet-dry recycling program.

Thumbs down…to the new amalgamated city of Hamilton, for introducing the Indianapolis model of contracting out. Last summer, the city sent employees in every department an invitation to submit proposals to take over services. The services would then be open to competitive bidding every few years.

Québec

Thumbs down…to Québec's Clair Commission on health care reform, for not rejecting privatization. The commission's final report sees publicly funded private clinics as an established fact within the health care system rather than an intrusion to be reversed. Québec health care workers are raising concerns about Alberta-style private clinics and further erosion of universal access to health care.

Thumbs up…to the province for taking the lead and providing a child care program that's a model for the rest of the country. Québec's public program is affordable, well-regulated and provides high quality care.

New Brunswick

Thumbs down…to the New Brunswick government for scrapping the tolls on the Trans-Canada highway but leaving the privatization scheme intact. The most visible part of the highway robbery is gone, but the multi-billion dollar taxpayer rip-off continues. And the tolls are still being paid indirectly – taxpayer money will buy the province's way out of the toll deal.

Thumbs down…to the New Brunswick government, for announcing energy deregulation plans spread over the next decade. Blackouts in California and price hikes in Alberta won't stand in the way of a bad policy idea, it seems.

Prince Edward Island

Thumbs down…to the provincial government, for continuing with plans for "cook-chill" food preparation at the new Prince County hospital. With the Manitoba government moving to reverse the damage done by a decision to implement cook-chill, the PEI government should cancel its cook chill plans and avoid having to waste taxpayers dollars in a few years to reverse a bad decision.

Nova Scotia

Thumbs down…to the government of Nova Scotia for leaving energy deregulation on its 'to do' list. Along with New Brunswick leaders, this government needs to shed its 'monkey see, monkey do' attitude when it comes to privatization.

Thumbs up…to the Nova Scotia government for canceling the expensive public private partnership school debacle, opting instead for future schools to be publicly financed and owned. The P3 experience here showed just how unbalanced these 'partnerships' really are, with corporations reaping all the rewards while taxpayers continue to hold the bag for costs and risks. The results of this soured experiment should be enough to prevent other provinces from considering this dangerous form of privatization.

Thumbs up…to the Nova Scotia highway workers for stopping a provincial government scheme to contract out highway maintenance – for now. The workers, members of CUPE 1867, were able to show that public sector workers can do a better job and save taxpayers money. However they will remain on guard, as the province's transport minister threatened to keep looking for ways to contract out highway work.

Thumbs up…to the citizens of the Halifax Regional Municipality for electing a new council that's less keen to privatize the Halifax harbour cleanup. In a botched process that's been skewed in the privateers' favour, two mega-corporations are vying to own and operate four sewage treatment plants. With a new mayor and half the council newly elected, there's a chance to open up the process to greater public scrutiny and ensure the public option gets a fair hearing.

Newfoundland and Labrador

Thumbs up...to the municipal leaders who've pledged that sewage treatment plants vital to the St. John's harbour cleanup will be publicly-owned and operated. St. John's harbour has been rated the worst in the country by the Sierra Legal Defence Fund. The municipalities involved in the cleanup are waiting for a commitment from the federal government to pay one third of the cost.

Thumbs down…to the St. John's board of trade for continuing to peddle public private partnerships as the solution for tight financial times. Their best attempts at alchemy can't turn this lemon of an idea into the apple of any accountant's eye. Add in the fact that taxpayers still bear many of the (increased) costs and risks, and P3s become an idea whose time has passed.

Thumbs down…to the Western Health Care Corporation's three-year 'action plan', which includes plans to privatize ambulance services in the western region of the province.

P3 award winners turn out to be losers

Winning isn't everything. In fact, sometimes it turns out to mean nothing.

That could be the inscription on whatever trophy is handed out as a Canadian Council for Public-Private Partnerships award. The CCPPP awards are supposed to highlight privatization initiatives that "have demonstrated excellence and innovation" and have "enhanced [the] quality of public services and facilities."

A follow-up visit to some recent prize winners found their awards more than a little tarnished. In some cases, the award was barely gathering dust in the corporate trophy case before the trouble set in.

1998 award winners

O'Connell Drive Elementary School, Porter's Lake, Nova Scotia
(winner in the infrastructure category)

CCPPP claim: This P3 school was "the first school in the province to have a true operating lease structure. It was developed and leased with no impact on the province's debt. All development and residual risk rests with the developer, while the province holds the operational risk. The school has served as a model for over 30 similar projects in Nova Scotia."

Reality: The Nova Scotia government was forced to renegotiate O'Connell Drive's original lease after some harsh words from the province's auditor general. In the summer of 1998, Roy Salmon told the government the school deal did not meet the definition of an operating lease and so would appear on the province's bottom line. The auditor's call for truth in accounting would have defeated the province's attempt to hide debt from the books. The lease, the first P3 school lease to be signed, was hastily renegotiated – adding a $50,000 fence and some data links – to meet the operating lease accounting test.

While Salmon said the lease then passed the mathematical test, he was critical of the process, saying that accounting needs were "driving other issues." He said it "should not be used as a model" for other operating leases. He also said the school's lease still "would most appropriately be treated as a capital lease" because taxpayers still shoulder the bulk of the risk.

The O'Connell Drive school lease leaves the Nova Scotia government with the majority of the risks, including the cost of capital improvements, operating costs for the school and technology upgrade costs. As the auditor general points out, the private consortium's main risk was the residual value of their investment. In fact, this is a minimal risk given that at the end of the lease they will have recovered 88.9 per cent of their investment and will own both the land and the building.

In June 2000, the provincial government abandoned the expensive and unpopular P3 school scheme, and announced that 17 new schools would be publicly financed and owned (see *Hammonds Plains Education Center*, below).

A P3 school post-script highlights the scheme's blurred accountability. In January 2001, children and staff at O'Connell Drive were still drinking bottled water a year after arsenic was found in the school's well water. A water filtration system had been installed, but the Halifax school board wanted to know where the legal responsibility for supplying clean water and maintaining the system lies – with the province or the corporation that owns the school – before they started filtering.

Teranet Land Information Systems Inc., Ontario

(winner in the service delivery category)

CCPPP claim: "Service improvements have resulted from users of the land registration being able to search titles from their own location electronically, and have legal documents faxed from an image database of 100 million documents."

Reality: It's hard to imagine what kind of service improvements there have been, given the Ontario provincial auditor's damning report in November 2000. As of March 2000, only 2.5 million of the province's approximately 4.3 million properties had been entered into the electronic database.

The public private partnership's original cost was an estimated $275 million, and the completion date was 1999. Nearly 10 years after the project's launch, the estimated completion cost had soared to $700 million, and the completion date had been pushed back to 2010. A consultant hired by the ministry overseeing the project concluded costs could easily surpass $1 billion, using "other, less favourable scenarios" than Teranet's.

As one title searcher with the Toronto registry office told the *Toronto Star*, "Teranet did the easiest conversions first [subdivisions, condominiums and parcels of land already in the land titles system] because as soon as the properties were computerized the bulk of the registration and searching fees went directly to Teranet. Now that they are down to the time-consuming properties, they cannot seem to get the job done in a cost-effective or timely manner…"

Teranet has issued $280 million in bonds to repay existing bank loans and finance further conversion of records. The auditor noted that if the Ministry of Consumer and Commercial Relations decided to end its agreement with Teranet, "it would have to address Teranet's obligation to the bondholders," leaving taxpayers even further on the hook.

1999 award winners

Highway 407, Ontario

(gold award for project financing)

CCPPP claim: "This public infrastructure asset is unique in its size, value and strategic transportation significance. The $3.1 billion deal was concluded in record time, from concept to final sale took less than a year."

Reality: The lightning-fast sale to a multinational consortium conveniently created a one-time cash windfall for the provincial coffers just in time for the 1999 provincial election. The problems, however, linger on.

When Ontario Premier Mike Harris announced the highway sale, he promised "we're going to strictly control tolls," pledging tolls would increase no more than two per cent each year. In reality, tolls have shot up more than 50 per cent, and cheaper off-peak hours have been scaled back.

The highway, Ontario's "Electronic Toll Route", has been nothing but an electronic troublemaker for many travellers. Amid a growing public relations nightmare of motorists being billed for trips they never took and company complaint lines that went unanswered, the company revamped its dispute resolution procedures in February 2000. According to some reports, as many as 180,000 motorists were incorrectly on file with the Ministry of Transportation for not paying their tolls.

The consequences of the electronic errors were high, with the Ministry of Transportation withholding licence renewal for alleged delinquent drivers. While the billing may now be more accurate, the ministry continues to wield the big stick of licence non-renewal on behalf of the corporation – in effect becoming a collection agency. This is indeed a bizarre role for a government that claims the private sector can do things more efficiently on its own.

Drivers with unpaid toll charges must fork over a $30 administration fee on top of the charges. According to opposition critics, only $1 of that fee stays with government. The rest is handed to the consortium.

The toll road deal is being kept under strict lock and key – even members of the legislature haven't been able to access the agreement. Critics charge that the Tories ignored another company's bid on the highway – a bid that would have seen the government recover its construction costs and have an extension built at no extra cost – in order to get cash to finance their election promises. In February 2000, the opposition and the Canadian Automobile Association called for a public inquiry into the highway's sale.

Hammonds Plains Education Centre, Nova Scotia

(silver award for project financing)

CCPPP Claim: "Even before development of the Hammonds Plains, Nova Scotia's approach to public private partnership for school construction had drawn interest both nationally and internationally."

Reality: Presumably, that interest has rapidly waned, given government admissions that P3 schools cost more than publicly-financed schools.

The province's first lease-back school was announced in 1994. In 1997 the government – without evaluating the success or failure of the first school – announced every new school in Nova Scotia would be built through public private partnerships.

Three years later, the newly-elected Conservative government – no great supporter of the public sector – abandoned the expensive and unpopular P3 school scheme, and announced that 17 new schools would be publicly financed and owned. Education minister Jane Purves said, "The former government used P3 as a blank cheque, and the P3 schools grew too elaborate and costly."

The announcement marked a return to the traditional method of building schools, where private companies design and build schools, but school boards own and operate the schools. The province will set budgets, standards, and arrange financing.

"The former government tried to use accounting to push the costs of the new schools off-book, but they didn't fool our lenders or taxpayers. Debt is debt is debt, and we must account for it," said Nova Scotia's finance minister Neil LeBlanc.

LeBlanc estimates the cost of P3 schools grew by another $32 million beyond the original high price, due to further changes after contracts were signed.

In the public interest: Strengthening public services

As Canadians, we find ourselves at a very important juncture. At the federal and provincial levels, we see a growing number of governments enjoying comfortable surpluses. Yet at the community level, we see councils, boards, authorities and agencies trapped between increasing demands and dwindling resources.

Clearly, we must review and renew our funding arrangements to ensure that the level of government best suited to provide a public service has the resources to fulfill its mandate.

But beyond that, we must revisit the crucial role that public services play in creating wealth, improving our quality of life, sustaining local communities and supporting diversity.

Governments at all levels are under enormous pressure from corporate interests to get out of the way; to reduce government's role from one that delivers services in the public interest to that of yet another customer, purchasing goods and contracting services – or abandoning citizens to fend for themselves.

In the corridors at city hall, in the legislatures, in Parliament and at the World Trade Organization, the lobby for privatization is stronger than the logic.

But in communities across the country and around the world, support for public services is strong. There is a clear recognition of governments' vital role in assuring access for all to quality public services. There is a basic understanding of the crucial contribution of public services in generating wealth in our communities – health, well-being and common wealth. And there is a profound belief that strong public services support a healthy democracy.

CUPE shares this pride in public services and commitment to quality, access and accountability. In addition to the prescriptions for action included within the chapters of this report, we believe that public services must be renewed and reformed to better meet our needs today and in the future.

Assure adequate funding

An essential first step in improving the effectiveness and responsiveness of public services is to assure adequate funding.

- The federal government must increase transfers for social programs – health, social assistance and post-secondary education – and expand the range of these programs to include child care, home care, pharmacare and long-term care. In addition, significantly more federal investment is needed to support basic infrastructure – water, wastewater, highways and public transit – as well as other essential services including housing and environmental protection.
- The provinces must increase funding for both direct provincial services and municipalities, local authorities and public institutions. When responsibilities for public services are downloaded, adequate funds or the authority to raise these funds must also be transferred.
- Municipalities and local authorities must accept the responsibility of ensuring public services are adequately funded to meet local needs. Increased revenues and new revenue sources are required to meet this responsibility.
- Quality public services should be funded from revenues generated by fair taxes, not user fees.
- The federal, provincial and municipal governments must develop a mutually-agreed upon system for sharing public service funding.

Require not-for-profit public sector delivery

Investment in public services should be directed to quality services, not corporate profits. All public services should be owned and operated by the public, not-for-profit sector.

- Funds transferred from one level of government to another should be contingent on the assurance that they will not be diverted to for-profit enterprises.
- Services should not be commercialized or contracted out.
- Contracted-out services should be brought back in-house.

Assure access

In many communities, access to public services is already limited. Privatization almost always has the effect of further restricting access. Reform of public services should guarantee access for all.

- Gaps and inequities must be identified and action taken to assure comprehensive delivery of important public services.
- Barriers to equity, including gender, income, race, ability, age, residence and sexual orientation, must be overcome.

Strengthen accountability

In any process of reform, public service excellence should be the overriding goal, with the test being the extent to which services meet public needs in an efficient, sustainable manner. To that end, any reform process should have built-in safeguards against erosion of the quality or accessibility of services.

- Governments have an obligation to make clear to citizens, consumers and taxpayers who is responsible for public services.
- Mechanisms are required to ensure that decisions affecting public services by elected representatives, government officials or program managers are open, transparent and subject to public review.
- Governments must ensure that their capacity to govern in the public interest and to deliver and fund public services is not constrained in any way by international treaties on trade and investment.
- National standards for the provision of essential public services such as health care and social security are critical in defining public services in Canada. Any reform of federal programs must ensure that these national standards are protected.
- Provincial standards for the development and delivery of services are essential to ensure access and enhance the quality of life in all communities. In particular, provincial legislation is important for standards in most areas of education, welfare, housing, highways, health and safety, and children's services.
- Municipal and local authorities have an obligation to set minimum standards and performance objectives for public services and provide adequate funding and staffing to meet these standards.
- Different levels of government share responsibility for protecting the natural environment, assuring water quality and providing for the physical and social requirements of communities. Responsibility for regulation, enforcement and funding must be clear and transparent.

Respect workers

A crucial element in improving public services is to draw on the experience and expertise of public sector workers and their commitment to provide quality services that are responsive to the needs of the public they serve. To do this, there must be an assurance that the rights and the interests of the workers will be respected.

- The right to organize without interference and negotiate a collective agreement must be recognized.
- Existing collective agreements must be respected so as to protect the advances that have been made in wages, benefits and working conditions. In the event of restructuring, successor rights must be guaranteed.
- The workers' union must be consulted and have a say in all restructuring programs and in decisions affecting public service delivery. Union representation should be mandatory on all decision-making bodies related to service reform, and workers and their union should be guaranteed access to all relevant information.

Strengthen democracy

Effective public services are strengthened by – and in turn strengthen – our democracy. Decisions governing public services should be made in the public interest by elected representatives, free from corruption and undue pressure from corporate interests or multilateral institutions.

To reform public services, making them more responsive to changing needs, a major effort is required to reach out to the public – those who use, fund and benefit from these services – seeking their input and advice.

- This process of consultation and participation must be inclusive, reaching out to those without a voice and facilitating the participation of groups that represent women, equity seeking groups and marginalized communities.
- It must take place at each level and in every sector. Locally, provincially and nationally, public services affect all Canadians, many of whom have ideas for improvements.
- It must be ongoing. It is not enough to set in place a formal consultation process, seeking input on a given question at a given time. Instead, a culture of participation, evaluation and innovation is required.

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