Privatization:

P3
SIB
ASD....
WTF?!

Privatization has many names. This guide cuts through the language that privatization promoters hide behind, to show what's really at stake for our public services. It also lists some of the key privatization pushers, as well as the processes that governments and employers use to pave the way for privatization.

CUPE

P3

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WHAT IS PRIVATIZATION?

Privatization is the transfer of services, functions and responsibilities from the government or another public body to the private sector and private markets. It means shifting ownership, management and delivery of services or assets from public hands to the control of private, for-profit corporations or non-profit organizations.

Privatization of public services and infrastructure comes in many forms and is constantly mutating. In its most extreme form, privatization is the all-out sale of public assets like buildings, utilities or roads to a private corporation.

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TYPES OF PRIVATIZATION

Privatization comes in many forms, often dressed up in fancy language. Here are the plain facts about the ways public services, facilities, and infrastructure can be privatized.

Alternative Service Delivery

ASD is code for many types of privatization. Governments use this phrase to sound innovative, and to hide what they really intend to do, which is shed their responsibility for services and increase the role of the private sector in managing, delivering and operating public services and facilities. ASD business models include the creation of stand-alone agencies or private sector outsourcing and can cover a broad range of services and sectors.

Asset recycling

Asset recycling is a buzzword used to make politically unpopular asset sales sound like a good idea. Asset recycling schemes involve selling off or mortgaging all or part of a public utility (like Ontario's Hydro One) or a crown corporation with a promise that the proceeds will be "reinvested" to help finance new infrastructure.

Asset recycling is an expensive way to build new infrastructure, compared to direct public financing. Pension funds and other private finance capital funds are promoting asset recycling and other privatization schemes,

SIB

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as they push for secure investment opportunities. The one-time cash infusion generated by asset sales comes at a high price. As assets are sold, governments lose future revenues that would have helped fund public programs and services. Those revenues become profits lining the pockets of private investors and banks.

Asset sale

Also known as divestment, an asset sale involves the complete or partial transfer of ownership of public assets from the government to a private corporation. This can include the sale of a public energy or telecommunications utility, building, road, bridge, port or airport. Asset sales mean the public sector usually gives up any future revenues or dividends from the asset's operations, in exchange for a one-time cash payment.

Contracting out

This is the most common form of privatization that CUPE members currently face. Contracting out involves a public sector employer (like a municipality, school board, or health care authority) paying a private, for-profit corporation or non-profit organization to deliver a service that was previously provided by public sector workers.

Contracting out can happen on a small scale. For example, a municipality contracts out forestry services, threatening a few workers' jobs. It can also happen on a much larger scale. In 2002, the B.C. government passed a law that paved the way for province-wide contracting out of hospital services. Thousands of workers were fired.

Lease-back

A lease-back arrangement is a feature of some public-private partnerships (P3s) and other privatization schemes. Under a lease-back deal, a private company constructs a new facility, or buys an existing public facility, and leases it back to the government in contracts that can last for decades. Nova Scotia's P3 school program involved lease-back arrangements that have cost the public dearly. In 2017, the province bought back 37 of 39 schools as the leases expired, recognizing it cost less to own the buildings publicly.

Outsourcing

Like contracting out, outsourcing involves paying a private company to deliver a service previously provided by in-house public sector workers. Often, outsourcing affects an entire system or department (such as information technology), rather than an individual function. Private companies also engage in outsourcing by moving jobs to other companies located overseas, usually to low-wage jurisdictions.

Public-private partnership (P3)

A P3 is a long-term (often decades) contract between the government or another public entity and a group of private, for-profit corporations. The corporations usually form a consortium that is involved in some combination of designing, building, financing, operating, maintaining and/or owning a facility like a wastewater treatment plant, or a piece of infrastructure like a road.

The private sector has always been involved in the design and construction of public infrastructure, and that is an appropriate role. What's different with a P3 is that private, for-profit corporations are guaranteed long-term profits from government payments for financing, operating and maintaining infrastructure. Under a P3, workers may or may not be brought over from the public sector. Even when they are, there are no long-term guarantees of fair, unionized and secure employment.

P3s are promoted with the claim that the private sector takes on responsibility for risks previously assumed by the public. However, so-called risk transfer comes with very high price tag, and is calculated by large consulting firms using biased and subjective methods. Ultimately, the public sector takes on the risk of continuing to provide a service if a corporation goes bankrupt or fails to deliver the project.

P3s often hinge on the "value for money" that risk transfer provides, but the financial details to back up these decisions are rarely made public. In many cases P3s have cost the public more. In 2014, the Ontario Auditor General found that 74 P3 projects, known in the province as "Alternative Financing and Procurement" or AFP projects, cost $8 billion more than if the government had kept the projects public. A 2017 study found three P3 hospitals in BC cost $260 million more than public projects would have.

Service shedding

When a government or public sector body simply stops providing a service. This lets private, for-profit corporations (or non-profit entities) step in to fill the gaps.

Social impact bonds

SIBs are another way for corporations to profit from public services. A SIB outsources the financing, planning and evaluation of social programs to third parties while providing profits to private investors. SIBs are also known as Pay for Success Bonds or Social Benefit Bonds.

In a SIB, investment firms provide up-front money for social programs. If specific outcomes are met, the government pays back the private investor with a profit. The model involves many private consultants who help negotiate the contract, manage the project and evaluate the outcomes.

SIBs focus on a specific result or outcome (for example, lower rates of reoffending among newly released prisoners). If the outcome is achieved, the public sector pays the investor back, with a healthy rate of interest. This distorts the priorities of services that are often serving vulnerable populations. Achievable results might lead to people with more "difficult" needs not being properly served by a social program. SIBs also blur the direct line between governments and social services agencies, inserting a complex group of private-sector investors, evaluators and other intermediaries in the middle.

To date, there are very few SIBs in Canada. In 2022, the Manitoba government announced two SIBs. One supports Manitobans to quit smoking, led by Pharmacists Manitoba and Shoppers Drug Mart. The other claims to help keep Indigenous youth out of the criminal justice system and drew criticism from Indigenous groups for excluding Indigenous non-profits working on restorative justice.

Volunteers

Using volunteers instead of public sector workers to provide all or part of a service is a form of privatization. Some CUPE locals have negotiated collective agreement provisions defining appropriate roles for volunteers that allow community participation in public services, without threatening service quality and continuity, or job security.

Unpaid domestic work

When governments stop funding public services (or never develop a public program), this creates unpaid domestic labour – work that takes place in people's private homes. These unregulated and unpaid alternatives privatize needs that should be met by public sector workers as part of a coordinated, publicly funded program. Cuts to home care, inadequate long-term care, and the lack of affordable child care all contribute to the rise of unpaid work in the home. Women shoulder an outsized share of this work.

User fee

A fee charged to people who use a public service. Instead of drawing on tax revenues to provide the service, governments charge user fees to subsidize the cost (and sometimes to deter or limit use). User fees are a shift away from public funding to the private sector and individuals.

A user fee like a road toll hits lower-income users the hardest, as they pay a higher share of their income than wealthier users. This makes user fees regressive. Income taxes based on a person's ability to pay are a much more progressive and fair way to fund public services.

User fees are common in privatized services and facilities. Ontario's privatized highway, Highway 407, shows how user fees can skyrocket under privatization. Tolls for Highway 407 have gone up over 200% since the provincial government sold it to a group of corporations in 1999.

Voucher

Also known as individualized funding, vouchers provide public funds to people to purchase services on the private market, instead of the public sector providing the services directly. For example, a person with a disability would hire their own direct support worker instead of being provided with care from a public agency. Promoters of vouchers claim they promote "choice." However, individualized funding erodes public services, introduces a market-based model with no guarantee of access to services, places downward pressure on wages, and leads to more privatization. Vouchers treat public services as a consumer product, not a public good.

PROCESSES THAT FACILITATE PRIVATIZATION

Governments and employers have many ways of paving the way to for-profit service delivery. It's important to watch for, and resist, the processes governments and employers use to set up public services for privatization.

Amalgamation/regionalization

Proposals to amalgamate or regionalize public sector bodies like health authorities have led to pushes for shared services, competitive bidding, contracting out and cutbacks.

Attrition

When workers who resign or retire aren't replaced, it can be a sign of impending privatization. Employers can use attrition to get around job security provisions when a CUPE local's collective agreement lacks full protection against privatization.

Commissioning

Commissioning is a process that encourages the creation of "public service markets" where public, for-profit and not-for-profit providers compete against each other to provide services at the lowest cost, to meet a predetermined outcome set by the government. In this way, it's like competitive bidding.

The role of government is reduced to managing the demand for services, negotiating and managing contracts, and monitoring compliance with regulations. Inevitably, this model replaces public service principles and values with corporate practices and values.

Competitive bidding

Under competitive bidding, a public department or service must compete against bids from private companies to deliver a service. Contracts can be awarded to the public sector, a private service provider, or a non-profit organization, often based on the cost of their bid.

Competition to provide the lowest bid can drive down wages and erode working conditions. This undermines job security and creates ongoing pressure for low wages and other cuts and concessions. Managed competition is another form of competitive bidding. It promotes the idea that public sector workers should work with management to bid on a service being considered for privatization. This is a role that CUPE rejects.

Concessions

Employer demands at the bargaining table to reduce wages, benefits or job security can be a sign of plans to prepare a service for privatization. Employers who threaten to contract out or privatize to extract concessions almost always come back for more. Often, privatization goes ahead anyway.

Corporatization

When a public utility adopts the goals and structures of a private corporation, it becomes corporatized. Corporatization also occurs when managers or leaders of a public institution (for example, a public college) reshape the institution to serve private sector needs.

A corporatized utility often has an unelected board that operates at arm's length from elected officials who represent the public owners. This reduces democratic involvement in and oversight of operations and key decisions. Corporatization can also restrict accountability and transparency to the public, as arm's-length corporatized bodies may not be covered by access to information laws or the scope of auditors general.

Core service review

A core service review is a consultant-led review of a government's public services. Municipal governments often use these reviews, looking for outside validation of budget cuts. The pro-private sector consulting firms conducting the reviews often recommend cuts to front-line staff, contracting out and other attacks on public services (sometimes directly cutting and pasting from one review to another).

Delisting

When a provincial health plan stops covering the cost of an item or service, that health care product or service has been delisted. Individuals will have to pay for it out of

ASD

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their own pockets, shifting the burden onto individuals and expanding the role of the private sector through private health insurance and other privatized service providers.

Deregulation

When a government removes restrictions, or regulations, on business, it's known as deregulation. When it comes to public services, deregulation can mean opening services to competition from private providers, less regulation to protect the public interest, and all-out privatization.

Shared services

Proposals for regionalization or amalgamation of public services often come with a move to centralize or consolidate service delivery, known as shared services. Support services and technical services are targeted in a bid to cut costs and find "efficiencies." This can lead to job cuts and hurt the quality and continuity of care. It can also open the door to contracting out, once a service or function has been centralized and cut back.

Trade deals

Trade deals increase the power of corporations, investors, and property holders. These deals can create international pressure to deregulate and privatize public services. In the case of the Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada, municipalities are bound by the deal's system for resolving disputes between governments and investors. European multinationals that have privatized water and other municipal services in Europe are hungry for Canadian deals. CETA may add to the pressure on Canadian municipalities to use P3s and potentially bundle multiple municipalities into one project. Once a P3 is signed with a European corporation, it will be difficult and expensive for a municipality to reverse privatization and bring a service back in house.

Underfunding

Systematic and sustained government underfunding of public services hurts quality and access. This undermines public confidence in public delivery. When governments underfund a service or asset it can be neglected and create public dissatisfaction, which opens the door to privatization.

WHO'S PUSHING PRIVATIZATION?

This list of some of the major privatization pushers highlights the pressure on our public services and public infrastructure. Working together, CUPE members and our allies can push back and protect public services.

Canada Infrastructure Bank

The federal Liberal government established this "bank of privatization" in 2017 to broker deals with private investors eager to profit from owning and operating public roads, bridges, transit systems, water and wastewater facilities, electrical systems, and more.

CIB projects rely on expensive private financing. Projects are also required to generate revenue by charging user fees, which means new or increased user fees and tolls. Private investors, including public sector pension funds, want to earn revenue from these infrastructure projects to feed their own profits. CIB projects have been shrouded in secrecy, all while shifting the planning, ownership and control of public infrastructure to private, for-profit corporations.

Montreal's Réseau express métropolitain light rail system is a disastrous CIB project designed to meet investor needs, not community needs. The REM originally cost $5.5 billion, and has ballooned to nearly $8 billion. The project is spearheaded by the infrastructure arm of the Caisse de dépôt et placement du Québec, one of Canada's largest pension fund investors. The CDPQ has an unprecedented role in the REM's planning and operation, and has failed to disclose key project details to the public.

CCPPP

The Canadian Council for Public-Private Partnerships is the main lobby and advocacy group promoting P3s in Canada. Its membership is a who's who of corporations, law firms and consultants who profit from privatized infrastructure and services. Also on the member roster are pension funds and some federal, provincial and municipal representatives. The CCPPP publishes pro-P3 research and polling and hosts an annual conference that attracts privateers from around the world.

Consultants

The so-called "Big Four" consulting firms – KPMG, EY, PwC and Deloitte – have a veneer of impartiality because of their role as auditors in some settings. However, these firms all evaluate and assess P3s using biased calculations that tip the scales in favour of privatization every time.

Some firms also conduct core service reviews and have been known to provide the same "solutions" of contracting out and other forms of privatization, in cut-and-paste format, to multiple municipalities.

Pension funds

Workers' pension funds hold our deferred wages and are key to our collective retirement security. These funds have increasingly been hijacked to work against the public interest and are investing in and lobbying for privatization.

Nearly all workers belong to either the Canada or the Québec Pension Plan. These large public pension funds, along with some of the biggest public-sector defined benefit plans, are profiting from privatized infrastructure in Canada and internationally. They are becoming investors in and direct owners of hospitals, schools, toll highways, seniors' homes, bridges, rail systems, energy systems, water utilities, airports and marine ports around the world.

The CIB has tried to attract pension funds as owners and operators of privatized deals it brokers, such as Montreal's REM. CUPE opposes private, for-profit ownership and control of public infrastructure – even when our members' pension funds may benefit. We want our pension funds to achieve decent investment returns, but not at the expense of our communities.

Provincial P3 agencies

Crown corporations like Infrastructure Ontario and SaskBuilds have a mandate to promote and assess P3s. In 2023, the Ontario government went even further and announced the Ontario Infrastructure Bank to attract private investment in public infrastructure, like the CIB.

These agencies have an inherent conflict of interest that leads to biased advice in favour of privatization. Key financial details and complex risk calculations underpinning their pro-P3 advice are usually kept secret, preventing independent analysis of claims that P3s deliver "value for money."

PPP Canada

PPP Canada was a federal crown corporation set up under the Harper Conservatives to expand the scope of privatization into new sectors and regions. It administered the P3 Canada fund, which subsidized P3 projects by paying up to 25 per cent of capital costs. This major incentive to privatize, combined with inadequate public funding, created conditions that spread privatization in municipalities, including to water and wastewater projects. As with provincial P3 agencies, PPP Canada's twin role of promoting and assessing P3s placed it in a conflict of interest, leading to biased advice. After cementing plans for much broader and deeper privatization with the Canada Infrastructure Bank, the Liberal government wound down PPP Canada in 2018.

Right-wing think tanks and groups

These include the Fraser Institute, the Manning Centre, the C.D. Howe Institute, the Montreal Economic Institute and the Frontier Centre for Public Policy. These and other right-wing think tanks frequently publish reports and commentary that are hostile to public sector workers, publicly-provided services and progressive taxation – all stemming from the false belief that competitive markets always produce better results. Groups like the Canadian Taxpayers Federation and the Canadian Federation of Independent Business often advance an anti-public sector agenda.

WTF?!

Working together, CUPE members and our allies can push back and protect public services.

To bring a service in house that is currently contracted out, contact your servicing representative and check out CUPE's guide: ***Bring our work in house: How to stop contracting out***.

Learn more about the consequences of P3s with CUPE's guides: ***P3s: False claims, hidden costs*** and ***Asking the right questions: A guide for municipalities considering P3s***.

Use your collective agreement to fight privatization with our bargaining guide: ***Protecting our work from privatization: How to fight contracting out at the bargaining table.***

Find out if your pension fund is profiting from privatization with our ***Keep our pensions out of privatization*** toolkit.

For more news and resources visit **cupe.ca/privatization**

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