New ways of WINNING

FIGHTING PRIVATIZATION AND CONTRACTING OUT

WORKSHOP 3
MAKING THE CASE FOR PUBLIC SERVICES

CUPE's National Privatization Conference, Toronto - March 27-30, 2003

CUPE·SCFP

On the front line • Au coeur de l'action

Argument for Privatization	Response:
1. Governments are strapped for cash and need to focus on core services. Why not let private companies finance the "bricks and mortar" of new hospitals, schools and other infrastructure?	• Corporations don't give away money. They invest money and they have to make a profit for their shareholders. In fact, they have to show that they are making more profit with this project than if they invested in something else. • P3s are about more than bricks and mortar. Its about services. With P3s, the private sector takes control of the services and not just the infrastructure. • Governments do have the ability to directly finance infrastructure. Its a matter of commitment and political will. • P3s cost more. It costs the private sector more to finance construction. For example, a recent P3 town centre development project in Maple Ridge, B.C., cost $20 million more than if the town had financed the project itself. • P3s hide but do not reduce public debt. Whether you are tied into a 30-year lease or a 30-year mortgage, they are both long-term financial obligations. But the mortgage will cost you less and you have full control of your asset.

Argument for Privatization	Response:
2. Laundry, cleaning and other support services are not core public services. Why shouldn't they be run by companies specializing in those services? Why shouldn't the workers be paid on par with the private sector?	• Expertise: Support services often require extra qualifications to do a job properly. For example, health care support workers need specialized knowledge and training to prepare and serve food, clean and sterilize rooms, process laundry, keep records, maintain equipment and do other work that is vital to patient safety and health. In the U.S., where privatization of cleaning and housekeeping services is more widespread than in Canada, a recent investigation found that cuts in cleaning and infection control standards contributed to 103,000 patient deaths in 2000. • The public sector is not prevented from purchasing expert advice or innovations from the private sector. The difference is that the public employer retains control over what gets purchased and what level and quality of service is delivered. • Public employers could share expertise and innovation strategies with each other. • Public employers could draw on the experience of their employees as to how services could be improved and even expanded. • Higher turnover in the private sector: Because private sector support services pay less than public sector support services, these private sector employees are more likely to leave their jobs. The problem with high turnover is that quality of service suffers due to the inexperience of private support services. • Public employees are not overpaid. In fact public employees used to make a lot more. Public employee wages haven't kept up with inflation over the last decade.

Argument for Privatization	Response:
	• Fairness: Private contractors generally pay their employees as little as possible which results in many private support workers making less than a living wage. In short, public support service wages should not be on par with the private sector because private sector support service wages are too low. • People who are performing important services for the community should receive decent wages. Why shouldn't the person who keeps your kid's schools or your hospital clean receive a decent living wage?
3. There's too much bureaucracy and red tape in the public sector and the private sector can run them more efficiently.	• Some bureaucracy and "red tape" is actually a good thing. They act as important safeguards for public interest. For example, the reduction of the bureaucracy that monitors water quality in Ontario had disastrous consequences for Walkerton, as their water was not properly safeguarded against e coli bacteria. • Private sector corporations often run on a bare minimum of staff meaning that it can be extremely difficult to get in touch with them if you experience a service problem. • Private sector corporations narrowly define what their responsibilities are according to the contract with the public sector. They will try to make your problem someone else's responsibility.

Argument for Privatization	Response:
4. Politicians have to get re-elected. If privatization is such a bad deal, why are politicians promoting these schemes and risking a public backlash? What's in it for them?	• Politicians are usually thinking about the short-term: By signing an agreement that hides real long-term costs to the taxpayer but looks good in the short-term, politicians hope to keep the electorate satisfied. For example, a 20 year contract with a large lump sum payment at the end would allow a politician to balance the books throughout their political term while leaving a large bill for future politicians and taxpayers. The Canadian Council for Public Private Partnerships often compares this to a car lease. In a sense, they are right. It is like leasing a car that you are forced to buy out at the end of the contract. • The public employer might be pressured by another level of government to adopt P3s. For example, provincial funds to build two new buildings at Ontario Universities (an aspect of Superbuild) were given out if Universities could demonstrate that they had attracted private funding as well. Similarly, federal infrastructure programs are promoting P3s and contracting-out of new municipal services by tying federal money to private sector involvement. • Pressure from bond raters to reduce debt: Bond raters assess the level of debt that a given government body has. Accordingly, some governments enter into P3s in order to keep debt off the books but increasing P3 financing is being seen as a form of debt by many provincial Auditor-Generals.

Argument for Privatization	Response:
5. If your job is safe, why are you so concerned about Public Private Partnerships?	CUPE jobs are less secure under a P3 contract: • Collective agreements run to 2-4 years, P3 contracts often run at least 15 years. Your job might be safe for a couple of years but it might be in jeopardy when the contract ends. • P3s reduce staffing levels over the long term in the search for more profit. For example, if a P3 school goes up in the community, it's possible that CUPE members will retain their jobs. But these CUPE members will be under continual threat as the corporation focuses on a bottom line rather than a quality education. • CUPE members are part of the community that will be negatively effected by privatization. • As taxpayers, CUPE members will be forced to share in the increased costs of the P3 facility while the children of CUPE members would be subject to problems with P3 facility. In short, CUPE members are members of the community. Directly or indirectly, we share in the pain of privatization. • Of course, CUPE members are concerned about the job security, wages and benefits and quite rightly. CUPE, as a union, looks out for the interests of its members. That being said, the interests of CUPE members are largely the same interests of the community as a whole. It is in the interest of the CUPE membership and the public, to have high quality, accessible public services. CUPE members, all 500,000 of them, are part of the public. • Shortcuts in the design, building and operation, are good for corporate profits but jeopardize quality.

Argument for Privatization	Response:
6. What's wrong with getting people to pay based on the amount of public services that they use? They enjoy the benefit, why shouldn't they pay?	• User fees are not the most appropriate way to pay for services. User fees can prevent poor people from accessing services. User fees contribute to reduced economic potential, increased costs, harm to the environment, reduced public access to services, an increase in poverty, and an increase in bureaucracy. • Poverty is increased by higher user fee because some people are less able to pay than others and in some cases an inability to pay for a service means going without. So while funding through a progressive income system takes into account how much people are able to pay, user fees turn away disadvantaged groups that are more likely to need the service in the first place. • For example, skyrocketing tuition fees are an attempt to move towards having students more fully fund the cost of their education. Increasing tuition fees has the effect of preventing those who are unable to pay from going to university and increasing their knowledge skills and earning power. That ensures that those who attend higher levels of education attend based on an ability to pay rather than an ability to learn. Having the whole population contribute towards the costs makes it cheaper. • For example, an increase in fares for public transit users might help recover some of the financial costs associated with the provision of public transit, but there is also an increase in pollution when people turn away from public transit and get back into cars because of the increased cost to the user. • User fees require a significant bureaucracy to collect and monitor them. For example, a Canadian hospital would probably have a couple of people to process billing to the provincial government. In an American hospital of the same size, you would have an entire floor of people to process billing. It also becomes more cumbersome as billing captures all of the expenses related to an individual rather than the needs of the facility.

Argument for Privatization	Response:
7. Aren't P3s a good financial deal for the public sector?	**P3s have hidden costs and potential future costs** • There is a risk of litigation expense should there be a contractual dispute. • There is a strong possibility that the private partner will attempt to renegotiate its contract if the operation is not making enough money. • Contract monitoring by the public sector demands a lot of resources.
8. Why shouldn't wealthy corporations finance and operate infrastructure over the long-term?	• Public employers are virtually always in a better financial position to assume risk than a private partner. • Public employers such as municipalities are charged much lower borrowing charges than are private corporations because they are more stable and secure. Private corporations go bankrupt all the time. For a public employer to be insolvent would require the collective bankruptcy of the entire community it represents. • We end up paying for it anyway. When the private sector puts up money to build a facility, the borrowing costs are higher than if the public sector did the borrowing. We pay for the costs through higher taxes or user fees while the private sector makes a profit.

Argument for Privatization	Response:
9. Isn't the private sector held accountable.	• No, the public sector is often left picking up the costs of such mishaps. The private operator's spin of Hamilton waste water into the harbour is one such example. • Also, If there is a problem with the quality associated with the operation, politicians will still be held accountable by the general public for having entered into the arrangement.
10. Private sector management is more innovative than the public sector. Shouldn't we get them to manage our public services?	• Private managers do not have the same goals as public managers. Private managers are often concerned with cutting costs even at the expense of services. Public managers on the other hand, have a broader agenda. They usually try to provide the highest quality service for as little money as possible . They are more likely to take into account other public policy concerns such as environmental impacts and accessibility of the service. • Managers are managers, public or private, they both have the ability to innovate services.
11. Won't private for-profit competitors help reduce long waiting lines for services such as health care?	• No. Trained staff and resources in the public system are siphoned off to the private sector, leaving the public system with staff shortages and delayed services.

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