Ten reasons to say NO to privatization – February 2010

The B.C. government is a big promoter of the privatization of public services through public-private partnerships (P3s). Local and regional governments or health authorities sign 30 or more year contracts with private corporations to design, build, operate and sometimes finance services that were once public. Below are ten reasons to say no to P3s. More information is available at keepitpublic.ca

1. Privatization through P3s is a taxpayer rip-off
At least four reviews of Canadian P3s have found that they cost more and that taxpayers are getting ripped off. Noted forensic accountants Ron Parks and Roseanne Terhart found that P3s in British Columbia have cost as much as 130% more than traditional public projects. BC economist Marvin Shaffer and Auditors General in both Ontario and Quebec have said that the way P3 projects are analyzed by government agencies promoting privatization is biased – not taking into account the higher cost of private financing.

2. We lose public control and accountability
Private corporations answer to shareholders not taxpayers. Their priority and mandate is to ensure profitable and growing businesses. Local governments answer to the public; corporate shareholders and boards of directors do not. Basic public services, like water, health care, and sewage treatment should respond to the priorities of taxpayers not just the profit motives of shareholders.

3. Taxpayers can't get the real goods
Privatization means that financial and operational practices are hidden from the public. P3s contracts involve lengthy and complex negotiations behind closed doors. Unlike governments, private corporations are not subject to the Freedom of Information Act. This means that residents do not have access to information regarding the environmental and economic actions of companies. It also means that residents cannot accurately assess the true costs of privatization. In fact, an elected city councillor in Hamilton was told he had to pay $5,000 in order to make a freedom of information request to see the contract between the City of Hamilton and a private operator.

4. Private financing is more expensive
Local governments and other public sector bodies can borrow money to build infrastructure and services much more cheaply than the private sector can. Even advocates of P3s fully admit this. To sell their plans, advocates have developed complicated arguments about risk transfer and efficiency to gloss over the fact that their costs are higher. But taxpayers cannot afford to ignore the increasing body of evidence showing the high cost of private projects.

5. Taxpayers still pay for the risk
P3 contracts include hefty additional charges to taxpayers for any risk that is transferred from the public to the private sector. And even then, private corporations faced with difficult times can seek bankruptcy protection and avoid contractual commitments. When this happens, governments must scramble to maintain public services, and taxpayers are left to pay the higher costs of private sector operation. In February, the $3.3 billion Port Mann Bridge project financing collapsed as a P3 after the B.C. government was unable to reach a funding deal with the private consortium.

6. Local businesses lose out to large corporations

Governments have always relied on private companies to design and build public infrastructure. Public-private partnerships are designed for big and often multinational corporations who can pay the high costs of building and operating government infrastructure. This means that local design and construction firms lose access to local government projects. It also means, in the long term, that many decisions about local services are being made in corporate head offices, not city hall.

7. Sustainability and environmental protection lose out

More is better and growing is good if you are a private corporation whose goal is to make a profit. Likewise, environmental regulation and limits on growth are "red tape." Governments' goals are quite different. They seek to limit costs and improve the range of services and the quality of life for citizens – sometimes by doing things that limit growth. Values like conservation, environmental protection, and the precautionary principle (better safe than sorry) are in the public interest. All these values clash with the corporate bottom line and are difficult to uphold when a private corporation has control of a public service.

8. Money and jobs leave the community

Public operation offers local people good jobs in the community. These jobs provide opportunities to train and enhance the skills and experience of residents, and in turn strengthen the area's resiliency. This is crucial in tough economic times. And projects in the hands of local governments rely on local private sector firms and expertise to design and build public infrastructure. Public-private partnership contracts rely on external investment and expertise and often source materials from outside of the community. Money that could be returned to the local economy and tax base goes elsewhere.

9. Multi-decade contracts limit flexibility and responsiveness

Because public projects don't lock local governments into multi-decade contracts with private companies, they can incorporate leading technology as the projects evolve and community priorities change. This is important for the health and safety of residents and the environment. Whistler's Wastewater Treatment plant is a prime example. The plant buildings are not only built to top environmental LEED standards, but the project also incorporates the most advanced heat and energy recovery system in the country, which will provide power to the Olympic Athlete's Village.

10. The next generation deserves a say

If we want young people to participate in our communities, they must have a real say in how their services are delivered and funded. When we sign multi-decade contracts that load enormous long-term debt onto future generations, we are denying them the opportunity – as citizens, as future elected officials, and as taxpayers – to shape their communities just as we are now shaping ours.