



Just the Facts: Privatization Schemes

At SEIU-West, we believe in having an engaged membership. In anticipation of the Saskatchewan election on April 4, 2016 we have identified several key issues that matter to you, your families and communities. "Just the Facts" sheets on those issues are part of the information, education and tools we offer to help you make informed choices about voting and getting involved in the election.

Giving away valuable public assets – a sweet deal for private partners.

Saskatchewan history shows:

Our small population and large distances meant corporations often weren't keen to invest in providing services and infrastructure, especially to rural/remote communities.

- Infrastructure = physical networks and assets essential to a community's well-being, e.g.:
 - Transportation (roads, bridges)
 - Communications (telephone)
 - Utilities (electrical grid, gas, water and sewer)
 - Schools and hospitals

Much of the services and infrastructure we depend on today wouldn't have been possible without ownership and investment by government and government-controlled public bodies such as:

- Provincial Crown corporations, e.g.:
 - SaskEnergy (natural gas)
 - Sask Liquor and Gaming
 - SGI (insurance)
 - SaskPower (electricity)
 - STC (bus company)
- The provincially-controlled MASH sector
 - Municipalities
 - Academic institutions (public universities and colleges)
 - School boards
 - Health boards

What is privatization?

There are three main kinds of privatization:

1. Public body sells off assets or infrastructure it currently owns/controls.
2. Public body outsources/contracts out services it currently provides.
3. Public body builds new infrastructure using a public-private partnership (P3).

Why do governments privatize?

Some of their reasons include:

- An ideological belief that the private sector is always better than the public. People with this belief are convinced, even when faced with evidence to the contrary, that the need to make



Just the Facts: Privatization Schemes

a profit ensures that the private sector will always be cheaper, more “innovative”, and more customer-focused than the public sector.

- To improve their balance sheet, e.g. with the cash proceeds from a one-time asset sale, or by getting rid of a “money-losing” asset.
- To benefit particular private sector companies or industries, particularly those that support the government’s party.

Why shouldn’t governments privatize?

- Public enterprises, unlike private ones, are not under pressure to deliver a profit every quarter. This means they can take a more long-term view and can focus on democratically-determined objectives and values beyond profit, such as:
 - Subsidizing service to rural/remote communities
 - Playing a leading role in broader social/economic/environmental change (e.g. increasing workforce diversity)
- Profits generated by public enterprises, instead of going to out-of-province shareholders, stay in Saskatchewan. The profits can be reinvested in the public enterprise and/or transferred into general provincial revenues to help pay for programs that benefit everyone.
 - For example, over the past five years Saskatchewan Liquor and Gaming has paid the province about \$230M a year in profits from liquor sales. That amount is enough to run both Heartland Health Region and Cypress Health Region for a year, and is about what the Ministry of Education grants each year to K-12 schools in Saskatoon.
- Public bodies are transparent and publicly accountable in ways that private companies are not.
- Public sector jobs tend to be good jobs with decent pay and benefits—the basis of healthy communities with a healthy middle class.

Privatization strategies

- Polling over the past decade has shown that Saskatchewan people have significant concerns about privatization; so it’s politically risky even for a very popular political leader to propose a rapid, full-scale sell-off of a prominent, popular public asset (e.g. SaskTel). The current provincial government has therefore adopted a two-pronged strategy used by pro-privatization governments in Canada and abroad for decades to overcome opposition to privatization:
 - Start slow and start small: first privatize more obscure, less popular public assets. Sell-off in stages (e.g. a 50% interest) rather than all at once.
 - Starve public assets: don’t invest in maintenance, and discourage public bodies from expanding or innovating. This will eventually make the asset look like an inefficient money-loser too expensive to fix, reducing opposition to a sell-off.

Some recent examples of privatization in Saskatchewan

- 2010
 - Government announces funding for P3-like Amicus long-term care facility in Saskatoon
 - Government announces plans to contract out day surgeries and CT scans
 - Responsibility for safety inspections of elevators, boilers, and storage tanks outsourced to new, industry-dominated Technical Safety Authority
- 2012
 - Ministry of Highways outsources engineering services to private labs, announces plans to close own labs



Just the Facts: Privatization Schemes

- Information Services Corp. (keeper of land titles and other key public records) sold
- SaskBuilds (government's P3 promotion agency) created (see discussion below)
- 2013
 - Govt. announces all future new liquor stores will be private; two new private stores opened
 - P3 projects announced: Swift Current long-term care facility and nine schools
 - Hospital linen contracted out to K-Bro Linen Systems. SEIU-West members in the health care sector have since noticed a sharp drop in the cleanliness, quality, and availability of hospital linens. Crucial details in the contract that might explain why were not made public until a public sector union launched a complaint to the Office of the Information and Privacy Commissioner.
 - Livestock herd inspections transferred from Agriculture Ministry to industry-led Livestock Services of Saskatchewan Corporation
- 2014
 - Govt. releases highly biased "Future Options for Liquor Retailing" paper; announces closure of four small-town liquor stores
 - Two more P3s announced: Regina bypass and North Battleford correctional facility/psychiatric hospital
- 2015
 - Government passes bill to allow for private MRI scans
 - Food services in provincial jails contracted out.

What is a P3 (public-private partnership)?

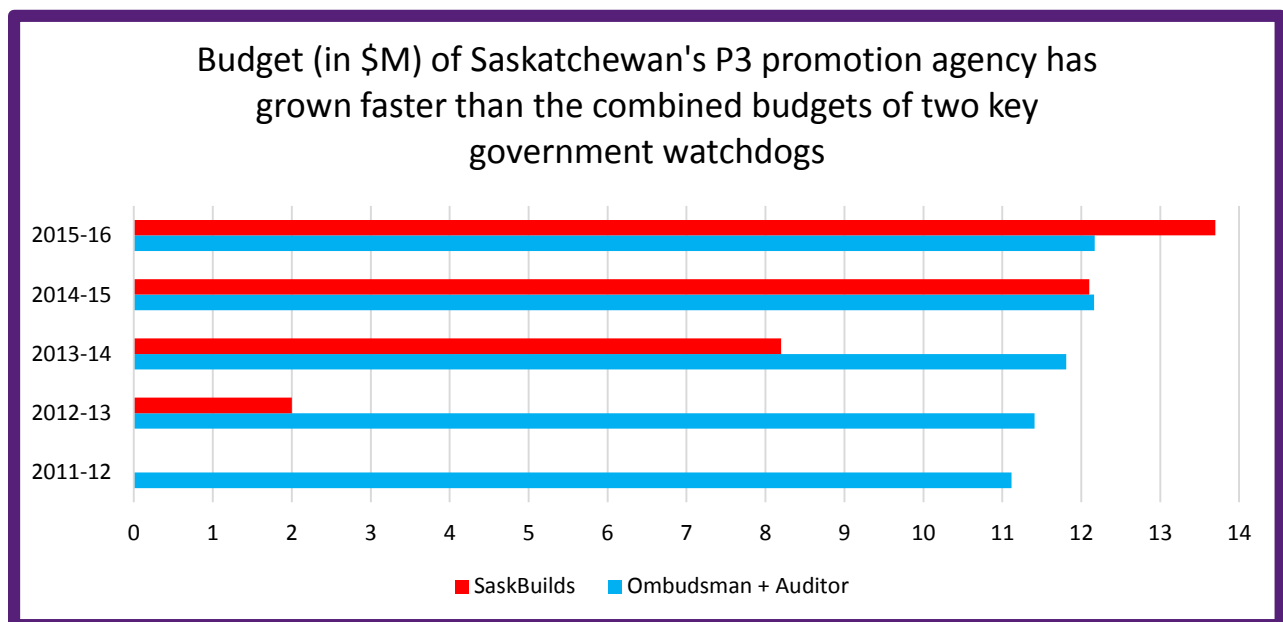
- Under the "traditional" way of building infrastructure, the public body does all of the following:
 - Hires architects and construction companies to design and build
 - Arranges financing, using one or more of taxes, grants from other levels of government, bank loans and bonds
 - Takes ownership of the completed asset
 - Operates and maintains it (out of tax revenues and/or user fees)
- In a P3, the public body signs a long-term contract (20-30+ years) with private, for-profit group of companies, which does most/all of following (depending on the contract):
 - Arranges some/all financing (stocks, bonds, bank loans)
 - Does design, construction
 - Takes ownership of completed asset, and leases it back to public body
 - Maintains
 - Operates (no such projects in Saskatchewan, at least no so far)
- The private company gets ongoing payments from public body and/or the right to charge user fees/tolls.

Why have P3s become more common?

- They were first seen in the UK more than 20 years ago, and since then have spread to Canada.
- The offer advantages to both the public and private partner:
 - Government gets new infrastructure, but the full cost is kept off this year's books (and without hiring public employees to maintain/operate it)
 - Private partner gets steady stream of government-backed money, in a world where economy uncertain and rates of return on investments are low

Just the Facts: Privatization Schemes

- They are being aggressively promoted by business (especially construction and banking industries) and governments—many of which have agencies whose mandate is to promote and assist P3 projects:
 - Federal: PPP Canada Fund (set up by Harper government): public partner (along with city government) in Saskatoon bridges and Regina sewage plant P3s.
 - Saskatchewan: SaskBuilds:
 - a Crown Corporation whose Board is three Cabinet ministers and two SaskParty MLAs
 - SaskBuilds is in a conflict of interest: because of its mandate to promote the use of P3s, it cannot be trusted to impartially evaluate P3 projects
 - As the following chart shows, the government has steadily increased SaskBuilds operating budget (this is not money used to design or build projects)



P3s are not necessarily cheaper or better than traditional ways of building and funding projects.

- Governments can borrow money at much lower interest rates than private companies; higher cost of private borrowing adds to the overall cost of P3s
- P3s, because of their complexity, generate large costs in lawyers' and accountants' fees
- The private partner expects a profit; this profit margin adds to the overall cost
- P3 supporters underestimate the ability of private corporations to avoid or change their obligations under a P3 (e.g. if not profitable enough) by taking advantage of the public's dependence on the bridge, hospital, etc. or using tactics like declaring bankruptcy
- Most of any alleged cost savings of P3s come from cutting labour costs
- Key details of P3 are not made public—they are considered "commercial secrets"
- Dec. 2014: Auditor General of Ontario reported that 74 P3s in Ontario were not cheaper than traditional procurement, were often delays, and did not transfer risk to private partner



What Can I Do??

Get involved!

- Share this information with family, friends and co-workers, and use it to start conversations about the issues.
- Ask questions of the candidates and other political party representatives who contact you about the issues raised in this “Just the Facts” sheet.
- Become involved with the party or candidate whose positions on these issues best serve the needs of you and your community.
- Write a letter to the editor to your local paper to share information on issues affecting your community.
- Use social media to share facts about issues that matter during the election.
- For more information about becoming more actively involved, visit www.purplevotes.ca.

Discussion Questions

1. What did you find most interesting or surprising about the presentation on this topic?
2. Have you, your family, or anyone in your community experienced any of the trends and problems discussed above?
3. Based on what you’ve learned in this presentation, do you feel that your own job or workplace is at risk of being contracted out or sold? Why or why not?
4. Why, in your view, has the Wall government chosen to privatize liquor stores and medical-surgical procedures? Why have they avoided privatizing SaskTel or SaskEnergy?
5. Do you trust the government’s claims that P3s will be cheaper and better maintained in the long run than traditional government infrastructure projects? Do you believe that community members will have the same ability to use P3 schools as they have to use non-P3 schools?
6. What could you do to get your co-workers talking and thinking about privatization and P3s?

Selected Sources

- Auditor General of Ontario. Annual Report 2014. Section 3.05. Infrastructure Ontario—Alternative Financing and Procurement. www.auditor.on.ca/en/reports_en/en14/305en14.pdf
- Loxley J. Asking the Right Questions: A Guide for Municipalities Considering P3s. Ottawa: CUPE, 2012. http://archive.cupe.ca/updir/P3%20Guide_ENG_Final.pdf
- SaskBuilds website. www.saskbuilds.ca/
- The Wrong Track: A Decade of Privatization in Saskatchewan, 2004-2015. Saskatchewan Office—Canadian Centre for Policy Alternatives. October 2015. https://www.policyalternatives.ca/sites/default/files/uploads/publications/Saskatchewan%20Office/2015/10/The_Wrong_Track_SK_Privatization.pdf

For further information about this topic, including details about the sources of the information on this fact sheet, please contact Karman Kawchuk, Research Officer, SEIU-West, at karman.kawchuk@seiuwest.ca