



**PRIVATIZATION:  
NOT AS ADVERTISED**

# Privatization: What is it?

**I**t is important to remember that the distinction between public services and private services came into being for a reason.

Public services are necessary services that either could not be or were not being provided privately in a way that met common economic and social needs. For example, electricity was made a public utility in Ontario in 1906 because businesses were complaining about the rising cost of power. Public health programs were put in place in the 1800s to fight epidemics like cholera.

As a society, through our elected governments, we pool our money to provide services necessary to keep ourselves, our families, and our neighbours safe and healthy and our economy growing. The largest public services are health care; education; safety and security services such as police, courts, prisons, fire, and ambulance; utilities; and transportation and water and sewer infrastructure in urban areas. Public services are our common good.

We all depend on public services every day, from **infrastructure** such as transit, water, electricity, roads, and sewers to **institutions** like hospitals, universities, schools, and libraries to **services** like long-term care, public health, child care, social housing, planning, emergency services, safety standards, and more.

Some governments and corporations call for the privatization of public services and infrastructure, suggesting that privatized services will cost less and be more efficient. CIPP has prepared a series of fact sheets to explain what privatization of public services means, why it is a bad idea, and what the alternatives are.



**P**rivate companies want to deliver public services and get into the business of public infrastructure in order to make a profit—that is their function. They are always looking for new ways to make money.

Several waves of privatization have swept the world since the 1970s. “Privatization Barometer,” an annual KPMG publication, reports that in 2016 global privatization hit a record \$300 billion. This means that control over \$300 billion worth of public services and infrastructure was transferred

to the private sector through the issuing of shares and asset sales.<sup>i</sup> The total amount of privatization is even higher because KPMG doesn’t include contracting out, public-private partnerships (private finance initiatives) and social finance projects in their report. Privatization is big business.

**Privatization is a shift of power from the public realm — government —to the private realm. It attempts to redefine the “public good” as “freedom from government.”**

While some proponents present privatization as just “a financing tool”, others promote it as being more efficient, flexible, innovative and effective than public sector alternatives. In practice, however, privatization has also metamorphosed into an ideology of governance. As one advocate put it, “anything that strengthens the private sector [against] the State is protective of personal freedom”. Freedom is thereby redefined as an emaciated public sector alongside a private sector dedicated to profiting from running key parts of the criminal justice

system and prisons, determining educational priorities and approaches, deciding who will receive health interventions and social protection, and choosing what infrastructure will be built, where and for whom.<sup>ii</sup>

The outcome of privatization is fewer services and higher costs. The common good—what’s good for all of us—is eroded. ■

## Types of privatization in Ontario

**A**dvertised and justified as keeping money in taxpayers' pockets, ending duplication and waste, providing greater efficiency and consumer choice, more and more public services and infrastructure will be delivered to the people of Ontario by for-profit companies.<sup>iii</sup>

There are many ways private for-profit companies are involved in delivering public services.

Some formerly public operations, facilities and infrastructure are divested entirely to private companies. That's the type of privatization the KPMG report measures. Ontario used to have public snow clearing on its highways and a public medical laboratory system, but these are private now. The federal government sold seven buildings to an investment firm in 2007 and leased them back for 25 years. A Spanish consortium has a 99-year deal to reap profits from the Highway 407 toll road.

Some services are devolved into not-for-profit crown corporations, like the Municipal Property Assessment Corporation, the ORNGE air ambulance, and the newly announced Ontario Health agency, which has replaced the Local Health Integration Network. Government controls their funding and boards of directors but does not operate these agencies. They remain public agencies, but their operations are distanced

from public scrutiny and accountability. They are often vehicles for further privatization through corporatization and contracting out.

Some formerly public crown corporations have been partially privatized. In 2016 Ontario sold the first 30% of the shares of Hydro One; it was the eighth biggest privatization in the world that year.<sup>iv</sup>



(TYPES OF PRIVATIZATION IN ONTARIO / CONT'D)

Some services are offered both publicly and privately. There are private schools and private medical clinics and privately-operated daycare centres. There are both public transportation systems and private companies to transport you in the city.

Sometimes parts of public services, such as IT services, are contracted out to a private company or consultants. Ottawa's solid waste services are provided by both direct employees and a contracted firm. In Ontario, the actual construction of public facilities and transportation infrastructure has generally been carried out by private companies, although that is not the same across all of the provinces.

Some private financing arrangements have friendly sounding names like "public-private partnerships" (P3s) or "social investment financing" that imply broader benefits. In these cases, a consortium of private companies generally borrows some of the funds for the initiation of the project in exchange for an inflated rate of return on the investment and a guarantee of profits from operating revenues over a long-term contract. Examples in Ottawa are the light rail transit project and the Lansdowne Park redevelopment.

The federal and most provincial governments have established funds and programs to assist privatization, such as the Canada Infrastructure Bank and Infrastructure Ontario. The federal government has announced its intention to broaden the scope of social investment financing in social services and has recently announced that approach will be part of funding for women's programs. ■





## Subsidizing the purchase of services from private companies

**S**ometimes privatization is touted as consumer choice. Instead of giving funds to service providers, the government gives tax credits, vouchers and subsidies directly to service users. Those who need services have to buy them in the market from private providers. That's the current Ontario government's preferred approach for services for autistic children, for low-rent housing and for child care. This approach dismantles the public service system and puts responsibility for getting the necessary services on individuals and families. It makes it impossible for the public sector to ensure that necessary services are available and accessible. ■





## Privatization erodes the common good

**B**efore the creation of public services, people with enough money could get the services they needed and the rest of us did without. To create a prosperous and just society, we developed and paid for, through taxes, a system where almost everyone had access to quality services. This system built a strong, stable, and prosperous society. Privatization of public services erodes the ability of our elected governments to prioritize and meet objectives for the common good. ■



# Notes

<sup>i</sup> KPMG and Fondazione Eni Enrico Mattei (FEEM), *The Privatization Barometer Report 2015-2016*, p. 2.  
<https://assets.kpmg/content/dam/kpmg/it/pdf/2017/01/ThePBReport2015-2016.pdf>

<sup>ii</sup> United Nations, *2018 Report by the Special Rapporteur on Extreme Poverty and Human Rights*, United Nations General Assembly 73rd Session, Agenda Item 74(b), September 2018. <https://undocs.org/A/73/396>

<sup>iii</sup> We examine whether or not privatization meets these objectives in other fact sheets in this series.

<sup>iv</sup> KPMG.

