



**PRIVATIZATION:
NOT AS ADVERTISED**

Privatization of public services and infrastructure — there are alternatives

Health care, education, water and sanitation, emergency services, transit, roads, social housing, recreation and parks—the vast majority of our public services are publicly delivered. And virtually all of our public infrastructure was built with public funds.

Some people who promote privatization say we can't afford public services any more and can't afford to build public infrastructure.

The proportion of government spending on public infrastructure hit its peak at 3% of Canada's gross domestic product (GDP) annually in 1959 and has declined ever since, to about half. In 2018, Canada's public spending on social programs was equal to 17.2% of GDP, placing Canada well below the average of 21% among countries in the Organisation for Economic Co-operation and Development (OECD) and ranking Canada among the bottom 10 of all 35 industrialized OECD countries. Canada's public spending is moderate, and there is room to grow.

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.

Don't be fooled. The public — all of us — pays for privatized public services and infrastructure.

As this CIPP series of fact sheets demonstrates, public services and infrastructure cost less, deliver more, and are more transparent and accountable than privatized services and infrastructure. Moreover, they underpin equality and contribute to economic stability and local growth.



Everyone has to pay their fair share

There are some very good alternatives to privatization, but there are no magic solutions.

You can't have public services, no matter how they are delivered, without taxes.

Austerity budgets are the result of deliberate revenue policies, not spending problems. That's what we're seeing in Ontario and elsewhere today. Priority is given to cutting taxes, not meeting people's needs through public services and programs. In fact, services are cut, employment is cut, access to services is reduced, and the impact on service users is not taken into account.

Everyone—individuals and corporations—has to pay their fair share of taxes. Canadians for Tax Fairness, among other organizations, has put forward suggestions for a fairer tax system that would support public services and infrastructure, increase equality, and grow the economy. They have proposals in four areas:

- a. Ensure corporations and the wealthy pay their fair share by closing regressive tax loopholes and making taxes more progressive
- b. Tackle international tax evasion, avoidance, and tax havens
- c. Improve corporate transparency
- d. Combat climate change and support sustainable development”ⁱ



These measures would generate enough revenue to fund a national child care plan, a universal pharmacare plan, tuition-free post-secondary education, and climate change mitigation infrastructure programs.

“The fair tax plan we outline ... could generate over \$40 billion annually in additional revenues for the federal government (as well as additional revenues for provincial governments where they would benefit from a broader federal tax base with fewer loopholes).”ⁱⁱ

Provincial governments have similar opportunities to implement fair tax plans to support needed public services and investments.

Municipalities would have more room to maneuver if councils had the courage to consider adopting additional progressive revenue initiatives over and above property taxes.”ⁱⁱⁱ ■

Not everybody is doing it

There is nothing inevitable about privatizing public services and infrastructure, and there is no tidal wave of privatization going on, despite continued pressure from corporations on receptive governments.

Around the world, municipalities are reversing privatization and bringing services back in house.

“... insourcing is not confined to any one particular service area; nor is it confined to any ideological or party-political allegiance. It is increasingly viewed as a pragmatic means to address service improvement, service efficiency and to recalibrate local services to local needs.”^{iv}

A recent review of Canadian and international cases found that services that had been outsourced (privatized) were brought back in house largely to reduce costs, but also to improve the quality of the service, to resolve problems with contractors, to increase local capacity, and to increase flexibility.^v ■



Alternatives

There is nothing wrong with the old way: use public funds to deliver public services; borrow for infrastructure capital—almost always from the private sector. Of course, we expect our public funds to be spent well and efficiently. As we have shown in this series of fact sheets, it is a myth that the private sector is more innovative and more efficient for all purposes.

The private sector will still benefit from public infrastructure and public services. All governments use private companies as suppliers. Stopping privatization doesn't mean public servants will build the buildings or manufacture the medical supplies. All corporations in Canada rely on public infrastructure and services, just as everyone does.

The benefits of public infrastructure spending go beyond the actual project.

“The benefits of a public infrastructure spending program include the following:

- In the short term, GDP rises \$1.43 per dollar of spending,
- 9.4 jobs are generated per million dollars spent, and
- \$0.44 of each dollar spent by government is recovered in additional tax revenue.

Over the long term, the discounted present value of GDP generated per dollar of public infrastructure spending (return on investment) lies between \$2.46 and \$3.83. Private-sector investment rises by as much as \$0.34 per dollar spent in the short term, and by up to \$1.00 per dollar spent in the long run. Businesses are more productive and competitive in international markets. Real wages rise, providing a higher standard of living for Canadians.

And these benefits are realized without significant long-term fiscal consequences to federal or provincial governments. The change in the long-term average annual deficit-to-GDP ratio lies between a rise of 0.04 per cent and a decline of 0.02 per cent for the federal government, and between a rise of 0.08 per cent and a fall of 0.04 per cent for provincial governments. The overall long-term impact on both federal and provincial governments is therefore likely to be very small, and may even be positive.”^{vi}



(ALTERNATIVES / CONT'D)

Federal and provincial institutions like the Canada Infrastructure Bank and Infrastructure Ontario can support the development of new and innovative public services and the extension of public services to those who are still lacking them. Public-public partnerships must be explored. For instance, municipalities can support local First Nations communities in supplying potable water. Local groups of residents can work with local governments to plan and develop non-market housing to meet a variety of objectives.

Privatization often hides public borrowing. Some suggest we should reintroduce public banking for a number of reasons, including financing public infrastructure. Pensions used to finance public infrastructure, without the intermediaries of private corporations and public-private partnerships. ■



Public services for the common good

Public delivery and development of infrastructure still works.

To meet the challenges of climate change with any resiliency, we must have control over public services and public infrastructure and use them to build toward those goals.

The more democratic control we have over public services, the more we can direct those services to the common good.

“The fight against privatization is not just a fight to stop the sale of our public services. It is also a fight for the type of society we want, a fight for social justice and equity. There is enough wealth in our economies to enable the required public investment, if corporations and the very wealthy pay their fair share. The consequences of underinvestment in quality public services are lower growth, higher inequality, less social cohesion and an inevitable political reaction that is currently being exploited to fuel racism, nationalism and xenophobia.”^{vii} ■



Notes

ⁱ Canadians for Tax Fairness. Platform for tax fairness: An economic plan to restore equality, strengthen the economy and invest in quality public services.” (2019) https://www.taxfairness.ca/sites/default/files/resource/c4tf_federal_election_2019_platform_proposals.pdf

ⁱⁱ Ibid.

ⁱⁱⁱ David Thompson, Greg Flanagan, Diana Gibson, Laleah Sinclair and Andy Thompson, “Funding a better future: Progressive revenue sources for Canada’s cities and towns”, Canadian Union of Public Employees. (Ottawa 2014) https://cupe.azureedge.net/sites/cupe/files/funding_a_better_future_0.pdf

^{iv} APSE (Association for Public Service Excellence) Rebuilding Capacity: The case for insourcing public contracts (2019) p.5. [https://www.apse.org.uk/apse/assets/File/Insourcing%20\(web\).pdf](https://www.apse.org.uk/apse/assets/File/Insourcing%20(web).pdf)

^v Keith Reynolds, Gaëtan Royer & Charley Beresford. Back in House: Why Local Governments are Bringing Services Home. Columbia Institute, Centre for Civic Governance. (Vancouver 2016) https://www.civicgovernance.ca/wordpress/wp-content/uploads/2016/06/Columbia_Back_in_House_May_16_2016_English_web.pdf

^{vi} Centre for Spatial Economics. “The Economic Benefits of Public Infrastructure Spending in Canada”. Broadbent Institute (Ottawa 2015) https://d3n8a8pro7vhmx.cloudfront.net/broadbent/pages/4555/attachments/original/1441907687/The_Economic_Benefits_of_Public_Infrastructure_Spending_in_Canada.pdf?1441907687

^{vii} Public Services International. *SDG 9: Alternatives to PPPs – growing instances of de-privatization*. Extract from the Civil Society Report Spotlight on Sustainable Development 2018. <https://www.2030spotlight.org/en/book/1730/chapter/sdg-9-alternatives-ppps-growing-instances-de-privatization>

