POWER TOOLS

Canadian Union of Public Employees

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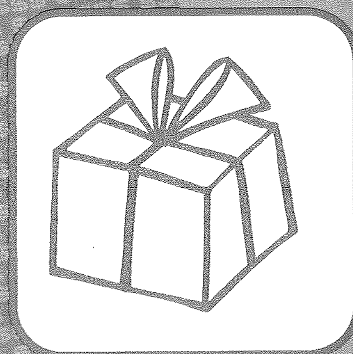

Behind the Pretty packaging

Exposing Public Private Partnerships

POWER TOOLS

Canadian Union of Public Employees

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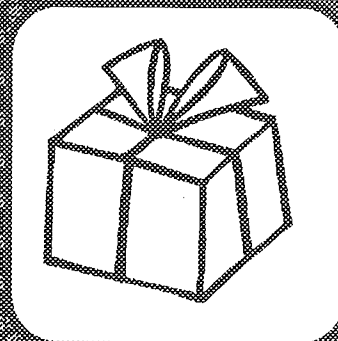

Behind the Pretty packaging

Exposing Public Private Partnerships

September 1998

Dear Sisters and Brothers,

This booklet is one of a new series of Power Tools to equip CUPE members and staff to fight smarter and harder in the face of massive restructuring, deep cuts to public programs and mounting pressures to privatize public services.

These Power Tools have a new look, new content and will introduce a new "tool box" approach offering a range of tools for your use. In some cases shorter tools – to make it easier to talk to your members about the issues or to make a presentation to a Board or Council – will be provided in addition to the longer Power Tool booklets that provide lots of factual information.

This new set of Power Tools will ensure you are better equipped to fight back. They will help you develop a better informed, more committed and stronger membership, prepared to take action to preserve good jobs and quality public services for our members, our children and our communities.

Use these Power Tools, sisters and brothers, to stand up, resist and fight! It is the only way we can win.

Judy Darcy
National President

Geraldine McGuire
National Secretary-Treasurer

P.S. We welcome your feedback on this Power Tool as well as your suggestions for future ones. Contact us by writing CUPE National, 21 Florence St., Ottawa K2P 0W6 or by e-mail at cupemail@cupe.ca.

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BEHIND THE PRETTY PACKAGING
EXPOSING PUBLIC PRIVATE PARTNERSHIPS

WHAT ARE PUBLIC PRIVATE PARTNERSHIPS?

Public Private Partnerships (PPPs) are ventures where the private sector becomes a lead actor in the provision of public services. They may involve private sector involvement in financing, designing, building, operating and owning public services, facilities and infrastructure.

PPPs are part of a broader neo-conservative agenda that argues that all that is public should be privatized. PPPs are one step away from full privatization of public services.

According to the Canadian Council for Public Private Partnerships (CCPPP), there were 219 major public private partnerships in Canada by 1996. Of these, 62 were in the transportation field, 54 were in the waste/water/environmental area and the remaining 103 were in other areas of the public sector. (See Appendix A)

Pretty Package for a Bitter Pill

The term "public private partnerships" is disarming. "Partner" suggests a mutually beneficial relationship, bringing together the best of the public sector with that of the private sector. Government and corporations claim that this combination will limit public debt and create more efficient and cheaper services.

Don't be deceived by the words or the promises. The aggressive promotion of public private partnerships reflects government irresponsibility and corporate greed.

PPPs are often another way of contracting out public services. Instead of the usual short-term contracting out arrangements, these longer-term financing, leasing and ownership agreements move public services much closer to outright privatization. PPPs are privatization by stealth.

CUPE does not oppose the private sector doing business with the government and public agencies. Corporations have often designed and constructed public infrastructure including roads, bridges, schools and hospitals, and will continue to do so.

So, what's different about PPPs? Governments and corporations want to expand the role of the private sector to include the financing, operation and ownership of virtually all public services. Corporations want to build, operate and own **our** schools, provide **our** food and medical services in hospitals, treat and supply **our** water, provide **our** recreational services, process **our** taxes and administer **our** social welfare system. In short, the public sector has become a new "profit centre" for the private sector. The captains of industry have decided to first create and then ride the wave of the public services sell off.

WHO'S PUSHING PPPs?

Corporations and some public sector employers have formed the Canadian Council for Public Private Partnerships (CCPPP). The goal of the council is to promote PPPs to governments and the Canadian public. The Council's membership includes Laidlaw, Philip Services, Serco and Price Waterhouse, all of which have been advocating – and benefiting from – privatization and contracting out. The council's membership also includes some Canadian municipalities that employ CUPE members.

The Sales Pitch

Boosters claim that PPPs will:

- Allow governments to avoid or eliminate debt.
- Provide services and infrastructure at less cost.
- Assure the newest and most efficient technology.
- Speed the completion of projects.

The truth is that PPPs often have very little to do with service or efficiency. Rather they allow government to give the appearance of an improved financial situation while offering corporations reduced taxes, a captive market and a guaranteed income.

The federal and many provincial governments support the move towards PPPs. Their policies have helped to set the stage for PPPs by cutting transfer payments and downloading services. Faced with tighter budgets and downloading, many local governments and other public sector employers are receptive to the idea of PPPs.

As well, the mindset of the senior bureaucrat has changed significantly. While PPPs threaten the jobs of public sector workers, senior managers often make the switch from managing services to managing contracts without a loss in salary, benefits or prestige. Recent surveys indicate that a large majority of senior bureaucrats see PPPs as an attractive service delivery option in their community or sector.

WHAT ARE THE COMMON TYPES OF PPPS?

Nowadays, more and more forms of contracting out to the private sector are being hailed as public private partnerships. Long-term contracts, leasing agreements, and even fairly short-term contracting out arrangements are commonly described as PPPs (See Corporate Takeover of the Public Sector through PPPs in Appendix B).

PPPs are most closely associated with private sector financing and long-term leasing and ownership of public infrastructure. The differences among them relate to the point where ownership of assets is assumed by the private sector and when a corporation or the public sector makes lease payments for facilities and service provision.

COMMON TYPES OF PPPs:

Build, Transfer and Operate (BTO):
A private developer designs, finances and constructs a facility that upon completion is transferred to public ownership. The public sector may lease the facility back to the developer who operates it at a profit or the public sector may operate it and pay the private partner out of operating fees or tax revenue.

Build, Operate and Transfer (BOT):
A private developer receives a franchise to finance, build and operate a facility (and perhaps charge user fees). The public sector is charged operating costs for up to 35 years and then ownership is transferred to the public sector at a predetermined price.

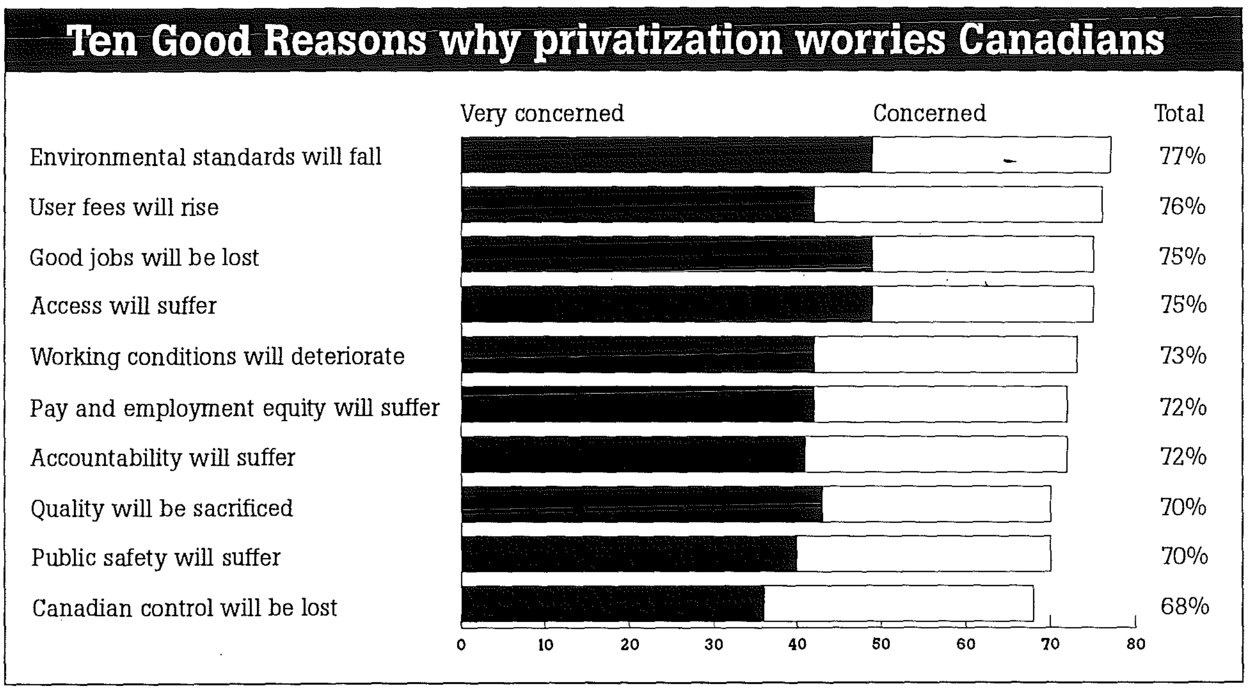
Lease-Purchase:
A private developer finances, designs and builds a capital project and then leases it to the public sector for a predetermined period of time. At the end of the lease period, ownership of the facility reverts to the public sector. The difference between this and the BOT arrangement is in the tax benefits for the private developer which can write off the cost of the facility.

Sale-Lease-Back:
A private company buys existing public assets such as schools, libraries and recreation centres and then leases them back to the public sector. Income tax law allows the private sector to reduce its tax payments on such assets. The facility can be sold back to the public sector once the lease has expired.

PROBLEMS WITH PUBLIC PRIVATE PARTNERSHIPS

Based on our analysis and the experience of our members, there are a number of reasons why CUPE opposes public private partnerships. First and foremost are concerns about quality, access and safety. As well, we are concerned about the impact of PPPs on the jobs, wages and working conditions of our members. But we are also concerned as taxpayers that PPPs will end up costing us more as corporations reap huge profits from essential services, while creating private monopolies and avoiding taxes.

CUPE's concerns are shared by most Canadians, who question private sector involvement in the delivery of public services. Their own experience tells them that for-profit service delivery will increase environmental risks, increase costs, threaten good jobs and reduce access.



Vector Poll conducted for CUPE, March 1998

A recent poll reveals that three-quarters of Canadians are concerned or very concerned about the impact of privatization. One-half responded that they were very concerned that "when a public service is delivered by private contractors instead of employees working directly for the government," good jobs will be lost, environmental protection standards will fall, and access for some members of the community – especially the poor, women and visible minorities – will suffer.

PUBLIC OPPOSES PPPs

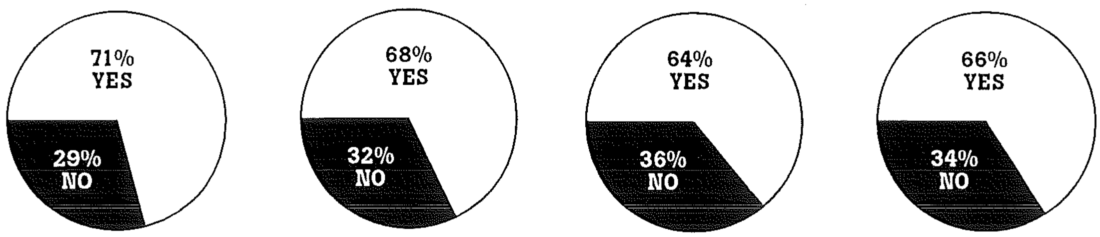
By a margin of two to one Canadians recognize that "public private partnerships" are likely to result in less quality and accountability, higher costs and higher risk.

LESS QUALITY
In the beginning, consumers won't notice a difference, but over time staffing and service levels will be cut

HIGHER COST
User fees will increase

HIGHER RISK
Corporations will cut corners on materials, maintenance and safety to increase their profits

LESS ACCOUNTABILITY
PPPs will lead to buck-passing where neither the company nor the elected officials can be held accountable when consumers have complaints



Similarly, they are concerned that PPPs will result in poorer quality services at higher cost, with greater risks and less accountability.

An examination of the Canadian experience of PPPs demonstrates that the public has much cause for concern.

1 Quality is compromised

Private delivery of public services will lead to a reduction in the quality of service as staff and standards are reduced in a drive to maximize profits. For capital projects and infrastructure, corners are cut, reducing safety. For services and programs, access is reduced as barriers to participation increase. For example, increased user fees and reduced first language services will limit access for the poor, women, ethnic communities and persons with special needs.

The pursuit of profits under PPPs increases the likelihood that the public will experience a decrease in the quality of service, such as occurred with private sector involvement in New Brunswick's welfare system.

When Andersen Consulting, the transnational consulting firm, revamped the welfare system in New Brunswick, hundreds of jobs were lost. The remaining workers were told they could spend no more than 4.5 minutes per month talking to each client and it became very difficult for clients to speak with welfare staff.

The long-term ownership or control over public assets by private sector companies may encourage neglect of maintenance standards. To increase profit, the private sector may delay repairs and other types of maintenance until ownership reverts back to the public sector. In a battle of profit against service, it is the profit driven agenda that wins out.

Alternatively, privately operated facilities will receive more support than publicly operated ones. This promotes two tier services. For example:

Ontario's toll highway 407 may receive priority support and maintenance over the parallel public highway 401 because the government is committed to repayment of financing costs and operation of the toll highway. Because they need to encourage a high volume of use by the travelling public, there will be pressure on government to use scarce financial resources to maintain the private toll highway at the expense of public roads.

2 Public Accountability is Reduced

PPPs will make it easier for governments to evade their responsibilities and more difficult for citizens, consumers and taxpayers to deal effectively with problems related to services. Once a private corporation is awarded a contract, especially long-term ones like PPPs, the public is locked into specific arrangements that may reduce responsiveness.

With private sector involvement, the service contract can become an obstacle to addressing problems such as inferior work, damage to property or accessibility. Service delivery problems that are not covered by the PPP agreement cannot be easily and cheaply rectified. Unexpected problems would require negotiations with the company that is performing the contracted out work.

A resident or user who has a complaint may not know whom to contact or how. They can expect a round of buck-passing with politicians and bureaucrats pointing the finger at the private contractor while the corporation claims that it has complied with the requirements of its contract.

Under public service delivery, problems can be more quickly addressed since politicians, administrators, supervisors and front-line employees can be held accountable to the public.

Another issue related to public accountability and quality of service is the need to ensure adequate access to information about PPPs. When services are provided by public institutions, access to information is protected by law. But the private sector often demands that access to information be denied or severely limited on the grounds that it might undermine the commercial stability and profitability of individual companies.

Unions representing workers at the Philip Services water and sewage treatment facilities in Hamilton Wentworth Region had to wait the better part of a year to obtain a copy of the contract between the Region and the corporation. Even then not all information on the PPP agreement was disclosed.

Restrictions on access to information limit the public's ability to judge the appropriateness of a PPP. It also prevents the public from assessing a corporation's performance and holding it accountable for any negative impact on service delivery or the community. There should be no reduction in access to information when a PPP is being considered. If anything, access should be enhanced.

Finally, legal accountability is necessary to maintain quality of service. Unfortunately, it is usually the public entity, and not the corporate contractor, that is held liable for damage to property or injury to people.

When 180 million litres of sewage backed up into 70 homes and businesses in Hamilton, it was the Regional Government that was stuck with legal and cleanup costs, not the private firm operating the facility. Total legal costs resulting from this dispute are estimated at $400,000.

3 Taxpayers Pay More

Advocates of PPPs often argue that they will help governments avoid borrowing and save the taxpayer money. On the contrary, PPPs cost taxpayers more.

• Public sector does not avoid debt

The driving force behind politicians' and bureaucrats' support for PPPs is the desire to avoid borrowing and debt. But are public sector employers really avoiding debt with PPPs? Are they reducing the cost of financing infrastructure and service delivery? In almost all cases the answer to both these questions is NO.

PPPs do not help the public sector avoid debt. At best, they only help it defer debt. In the end, the public sector pays more under private sector financing arrangements.

• It costs private companies more to borrow money

The public sector borrows money at a rate of interest that is usually a half per cent or more lower than the rate available to private sector companies. Governments, including municipalities, have a better credit rating than even the largest corporations. This is because governments and public sector bodies have stability and longevity that reduces the risk that they will default on loans.

As well, the public sector usually finances its debt over a twenty-year period instead of the 30 or more years common to corporate financing arrangements. These additional years of principal and interest repayment further increase the cost of private sector borrowing.

The Charleswood Bridge in Winnipeg is a clear example of the greater cost of private sector financing.

The company which financed the bridge-building project paid a higher interest rate than would the City; a difference that is estimated to cost taxpayers an additional $1.2 million. Also the City normally repays loans over a 20-year period while the company chose a 30-year period, increasing costs and incurring debt for an additional 10 years. Furthermore, the lease payments made by the City on the bridge are considered financial liabilities so the City's financial status is not improved by the PPP.

Even small public sector authorities can borrow more cheaply than the private sector, especially if they cooperate with others. For example, the Municipal Finance Authority of British Columbia (MFABC), enables smaller authorities to borrow on the most favourable terms. (MFABC has a triple A bond rating; something most large corporations do not have.)

- **Leases cost more than debt repayment**

Over the long term, it is more expensive to rent a house or lease a car than it is to buy, even if you have to borrow money and repay the loan. In the same way, when you add up lease payments, plus any lump sum payments, it is usually more expensive for the public sector to lease a facility from a private corporation than to borrow and repay the debt. As was the case in Port Alberni, B.C., public financing usually costs less.

The municipality of Port Alberni looked at several options for private sector financing and operation of a new arena. After careful study, the City Council decided it would be cheaper for the municipality to finance and operate the arena itself.

- **Lease payments are (and should be) counted as debt**

The myth that PPPs reduce debt persists because lease payments to private corporations are not usually counted as public debt. Yet lease payments are as much a financial commitment as debt repayment or service charges. For that reason, they should be considered in any assessment of a public body's liabilities. This would make the true costs of PPPs transparent.

The New Brunswick government has been accused by the opposition of using PPPs as a means of disguising debt and claiming a government surplus. The government had claimed the lease payments on projects such as the Evergreen School in Moncton and the youth services facility in Miramichi were operating expenses and not debt owed by the Province.

- **Tax breaks make PPPs more costly**

Corporations get tax breaks on public assets they own, even if that ownership is for a defined period of time. PPPs allow them to take advantage of tax shelters in the form of a Capital Cost Allowance. As a result, individual taxpayers are forced to make up for the loss in tax revenue.

Avoiding taxes is one of its primary objectives of some forms of PPP. The private developer is allowed to write off the cost of a facility such as a school, hospital or water treatment plant.

- **PPPs endanger important public assets**

Some types of PPPs involve selling off public assets. The lease-back arrangement is one such type of PPP. The private sector actually buys existing capital assets from the public sector and then leases them back to the public sector. The public agency gets a lump sum payment up front that it can use to pay off debt. The corporation gets guaranteed lease payments over a number of years and tax breaks that allow it to write off its capital costs.

This kind of sell-off of public assets and lease financing arrangement has been described as a case of "selling the house to pay off the mortgage."

"Lease-backs" are most common in the education sector where private corporations have been trying to take advantage of the tax breaks.

In 1996, Johnson Controls and a consortium called the Education Alliance Joint Venture approached the Metro Toronto Separate School Board with a scheme to buy 38 of the board's schools, build 4 new ones, and lease all 42 back to the Board for a period of up to 35 years. CUPE Local 1280 helped expose the deal and made a convincing case against the sell-off.

This type of PPP allows corporate control of a facility during its most profitable years. When expensive renovations are needed, or when demographic changes reduce demand for the facility, the company is conveniently let off the hook.

4 Communities Suffer

Some PPPs appear to reduce costs only because they centralize services, creating economies of scale. But these supposed savings do not take into account the negative impact such changes can have on local communities.

Local services are replaced by regional services, providing fewer jobs and robbing the local community of an economic hub. Services are less accessible and responsive to local needs.

Because only large corporations, most of whom are foreign-based transnationals, have the capital and systems to introduce economies of scale, PPPs often serve to transfer economic benefits to other countries. Labour and supplies are more often purchased outside the local area and profits are transferred to other regions.

Local economies suffer when a PPP leads to more unemployment and lower wages for employees. Workers will have less money to spend in their communities due to layoffs and reduced wages and benefits. This will produce further unemployment, welfare and business bankruptcies.

The experience with shared-food services in Canadian hospitals shows that the economies of scale required to make these facilities profitable for private investors damages local communities.

Large corporations such as Sodexho, Versa and Marriott have centralized food services to a number of hospitals. The result has been a displacement of workers and reduced demand for local business.

PPPs can also threaten the health and environment of the community. For example, moving to a PPP might increase pollution and undermine regulations designed to safeguard the environment or protect the occupational health and safety standards under which people work.

As well, corporations may use their control of public facilities to further their economic interests. For example, a software corporation may become invalid in building school facilities in order to promote the marketing of their other products.

5 Jobs, Wages and Benefits are Threatened

Many PPPs promise to save the public sector money. One of the principle ways they do so is by reducing staff and cutting wages and benefits.

The Philip Services operation of the water treatment system in Hamilton Wentworth is a case in point. The Corporation promised that it would create 100 jobs for the municipality. Instead, Philip Services dramatically reduced the number of employees.

According to employees at the Hamilton Wentworth water treatment plant, Philip Services has relaxed maintenance standards and has reduced the number of employees from approximately 120 to 75, a decrease of more than 35%. It is estimated that this has reduced Philip's wage bill by $2 million per year.

A private corporation's demand for greater profit also results in pressure to cut wages, benefits and jobs of CUPE members and other public sector workers.

Over 80% of employer representatives thought that one of the positive effects of PPPs would be lower public sector wages.
(CCPPP Report)

Even if a PPP initially includes "successor rights" and the private contractor is obliged to respect the existing collective agreement, the contractor will be involved in the negotiation of a subsequent agreement. Under a PPP, management will want the right to reduce the number of workers and increase workloads through multi-skilling and multitasking. They will press to undermine occupational health and safety rules and seek other concessions.

Such changes are detrimental to the workers. Fewer staff doing more work will lead to morale problems that will make it more difficult to attract and keep highly skilled workers.

6 Hidden Costs Escalate

The private sector claims that it can provide services more efficiently and more cheaply than the public sector and yet maintain service standards. We know that this is not true.

There are long-term and hidden costs with corporate involvement. Profits for corporate investors are one such cost.

Andersen Consulting has been contracted to re-design social assistance delivery in Ontario. Andersen could earn up to $180 million over six years by helping the government slash $1 billion from the welfare system.

The pursuit of profit compels corporate contractors to increase their market share and cut operational costs. They use "low ball" or "loss leader" bids to gain greater market share, but sometimes find that they cannot deliver on their promises.

The New Brunswick government cancelled an $8.4 million Medicare billing and administration system contract with Blue Cross of Atlantic Canada. The Minister of Health stated that "the government was not confident that Blue Cross could deliver the system called for in a reasonable time and within agreed-upon costs."

Often the private sector will be guaranteed considerable monies even if it does not complete a project.

The agreement between New Brunswick and Blue Cross has already cost the province $2.5 million and it was reported that "no one will venture a guess on how much the province will have to pay to extricate itself from the deal".

Once established, the private sector often increases profit by cutting corners on materials, maintenance and service delivery. These "savings" increase the company's profit margin, but they do not reduce the cost of service for the public.

There is a greater likelihood of new or increased user fees under a PPP agreement, fees that will go towards improving the profit margin of the private sector.

The CCPPP survey shows that most public sector managers think that user fees are a good idea. They think that user fees are a way of reminding the public of the "real" cost of services.

User fees are most likely to be introduced when new projects are introduced, such as the toll highways in Ontario and New Brunswick and the Confederation Bridge.

Other costs associated with private sector service delivery include the cost to the public sector of putting in place a selection or tendering process. Developing "requests for proposals", "requests for expressions of interest" and a system for evaluating tendered bids cost considerable amounts of money.

The contractor too has bidding costs, which again, in the end, the public assumes. For instance, the cost to private corporations of bidding on a major long-term contract can reach $1 million – a cost they will want to recoup over the course of the contract. In effect, the public pays the substantial costs involved in turning public services over to private corporations.

The legal costs involved in drawing up and revising contract or leasing agreements can also be significant.

The agreement between Philip Services and Hamilton Wentworth took months to negotiate. The annual administrative and legal costs of maintaining the contract are budgeted at $200,000. This amount equals approximately 30% of total annual savings promised by the company.

Other costs to the public relate to the monitoring and supervising of private contractors to ensure that they are living up to their side of the agreement. As well, the private investor is often subsidized by the public because they still use public facilities, equipment and administrative services. Unless all of these ongoing costs to the public are considered, the full cost of PPPs remains hidden.

Even the promise of improved efficiency and timing under PPPs can turn into just the opposite. Toll highway 407 in the greater Toronto area is an example. Costs were underestimated. The technology was overestimated. And safety standards were not met. As a result, completion was delayed and costs skyrocketed.

The limitations of the toll technology and the inattention to required safety features delayed the opening of the highway. It is estimated that these additional expenses and delays will increase the cost of the project by several hundred million dollars.

The public pays for hidden costs while the private partner is left to reap the profits.

7 Governments Bear the Risk

The private sector promotes the myth that they are the ones bearing the risk of PPPs since they often provide the capital. This is false. The public sector often guarantees the private financing for PPPs. As well, it assures the developer a stable, captive market and guarantees that the price of its services may be increased over time.

The privately financed, designed, built and operated Confederation Bridge between New Brunswick and PEI illustrates the risk-free nature of PPPs for the private sector.

Strait Crossing Inc. will receive the equivalent each year of the federal subsidiary to the ferry system ($42 million) plus the revenue from tolls. The company will also have the right to increase toll fees by 75% of the increase in the Consumer Price Index. With a million tourists estimated to visit PEI each year, the revenues to the Corporation are expected to be enormous. Risk for the company is further reduced because the government has issued bonds valued at $661 million to guarantee the debt on the bridge.

Instead of removing risk from the public sector, PPPs actually increase financial risks to the taxpayer, especially if the private sector threatens bankruptcy or defaults on loans.

When Andersen Consulting couldn't find anyone to finance its scheme to reform New Brunswick's justice system, it and the government had to part ways. However, the Province had already paid Andersen $2.9 million to cover computer equipment, leased office space and six months of consultants' fees.

It is important to remember that corporations, even large ones, do not have the stability and longevity of municipalities and provinces. PPP agreements are often 25 to 35 years in duration while corporations can prosper one year and be out of business the next.

8 Private Sector Monopolies are Created

PPPs are promoted in the name of competition. The private sector claims that by breaking the public sector monopoly on service delivery, service will be improved and costs reduced. But their real objective is to secure a very profitable monopoly for themselves.

Many services to the public are "natural monopolies" because only one organization or agency can deliver them. Water and sewage treatment services are a case in point. If a "natural monopoly" exists, it makes sense that democratically controlled and accountable public bodies deliver this service, not a foreign-controlled transnational.

PPPs replace accountable public agencies and governments with investor-controlled private corporations. This is especially troublesome where the contractor wins long-term agreements of up to 35 years. Such contracts are highly prized by the private sector because they assure a captive market and guaranteed income.

Once a public service has been converted to a PPP, the public may become completely dependent on private contractors. By selling its facilities and equipment and losing its in-house delivery expertise, a public agency loses the capacity to directly deliver service. As a result, the public is more vulnerable while the private contractor is in a position to extract ever more money and other concessions.

9 PPPs Lead to Full Privatization

Full privatization, the sale of public assets to private investors with some public sector regulation, is considered by most to be a step beyond PPPs. However, there is a connection between full privatization and PPPs.

Toll highway 407 in the Toronto area is an example. Although the highway has just come into service, the 35-year design, build, operate and transfer deal is under review for full privatization by the Ontario Government.

PPPs can be viewed as a phase or stage in the privatization process. Once a corporation begins to play a significant role as a service provider within the public sector organization, it can more effectively promote privatization of a service.

BRITAIN'S EXPERIENCE: CANADA'S FUTURE?

Before embracing PPPs, politicians and administrators in Canada should heed the British experience. In the early 1990's, Britain's Conservative government introduced its Private Finance Initiative (PFI), the equivalent of PPPs. Under PFI, the private sector has been given the right of first refusal on many major projects in the public sector.

Despite this government support, the PFI has not been successful. Private investors continue to press for more and more government subsidies and guarantees. The corporations want a virtually risk-free environment for the PFI.

But more importantly, the PFI has not delivered the goods, or the services, to the British people. PFI has failed in its promises to deliver better, cheaper services and infrastructure.

According to the Public Services Privatization Unit in Britain:

- PFI costs more and the costs continue to escalate.
- Very few PFI contracts have been signed.
- PFI has caused delays that have jeopardized projects.
- The public has borne the risks of projects as the government has steadily introduced more protection for the private contractor.
- PFI has distorted priorities for projects and resources.
- Projects are rewarded without considering whether they could be done more cheaply by the public sector.
- Given the size of PFI schemes, only the largest companies have been able to bid, restricting competition.

CONCLUSION

There is every indication that governments in Canada will increasingly promote public private partnerships as a means of reducing spending and avoiding debt. This has not worked in Britain and there is much evidence that it is failing in Canada.

PPPs do not reduce government debt. They only defer it. They do not make public service delivery more accountable to the public. They transfer responsibility to an unaccountable private contractor. PPPs concentrate service delivery in the hands of large corporations, most of which are transnational. They do not reduce the cost of service to the public. Instead they increase profit to corporations that reduce their costs by undermining quality and access, laying off workers and asking those remaining to do more with less.

The alternative to PPPs is a renewal of the public sector based on government commitment to the funding and provision of quality, affordable services. Governments must show a willingness to directly finance the building, operation and maintenance of schools, hospitals, roads, water and wastewater systems and other essential services and infrastructure. The debt requirements for these types of activities must be seen as a responsibility of government and a priority for the public.

We must force governments and other public agencies to recognize and account for the long-term and hidden costs of PPPs. This includes calculating the cost of future lease payments and comparing it with the cost of borrowing. It also includes the administrative, legal, tendering and supervision costs associated with PPPs.

But more important, they must evaluate PPPs in terms of the threat they pose to the quality, accessibility and safety of public services. They must consider the effect on local communities and public sector workers. And they must consider the question of accountability and responsiveness, putting the public interest ahead of corporate profits.

ACTION

Experience has shown that PPPs can be stopped dead in their tracks with fast action and effective organization. CUPE has produced a range of materials to assist members understand what PPPs are, how they threaten jobs and services, and how we can combat them.

Some of the key steps include.

- Establish a committee to fight privatization and contracting out.
- Distribute *Stop the Plunder* and other materials to committee members.
- Develop a plan to find answers to the Critical Questions to Ask in Evaluating PPPs.
- Conduct lunch time "study sessions" on PPPs with each member of the committee assigned an area of the workplace.
- Recruit workplace communicators who will pass on information to members about PPPs and gather responses.
- Develop a leaflet specific to your sector describing the threat of PPPs.
- Host an event in the community to expose the risks of PPPs.
- Develop a political action strategy, including a legislative agenda.
- Organize workplace actions to involve members and send a message to management that there will be no PPPs in this workplace.
- Share information – and build alliances – with other CUPE locals and potential community allies.

CRITICAL QUESTIONS TO ASK IN EVALUATING PPPs

On Quality of Service

- ❑ Is the quality or level of service likely to be reduced and how?
- ❑ Is accessibility to the service threatened by the PPP?
- ❑ Does the PPP pose any risks to the health and safety of the public?
- ❑ Are there increased environmental risks arising from private control of the project?

On the Impact for Workers and Communities

- ❑ Will the PPP mean job loss?
- ❑ Will the private sector honour the existing collective agreement?
- ❑ Will the union be negotiating with the private sector?
- ❑ What is the labour relations record of the private sector corporation?
- ❑ Will the private sector maintain health and safety standards?
- ❑ Are there potential economic costs to the community through job loss, closure of facilities or purchase of materials and supplies from outside the community?

On Efficiency and Cost Savings

- ❑ Does the PPP claim to provide the service at a lower cost than the public sector?
- ❑ How does it claim to accomplish this? Through new technology, restructuring, cheaper financing, less expensive inputs, economies of scale?
- ❑ Are these claims reasonable or is the private sector low-balling cost estimates to win approval?
- ❑ Are they underestimating some costs and failing to include hidden costs?
- ❑ Will the public pay more for the service either directly through user fees or indirectly through higher taxes?

On Financial Risk and Accountability

- ❑ Is the private investment or financing guaranteed by the public sector?
- ❑ Is the private sector guaranteed a minimum amount of revenue by the public sector?
- ❑ Is the private sector given inflation protection allowing them to raise the price of the service?
- ❑ Is the private sector liable for cost and time overruns?
- ❑ Is the private sector liable for health and environmental problems?
- ❑ Is the PPP agreement completely accessible to the public?
- ❑ Will the ongoing operations of the PPP be accountable to the public?

RESOURCES

The following is a list of selected resources that locals can use to resist PPPs.

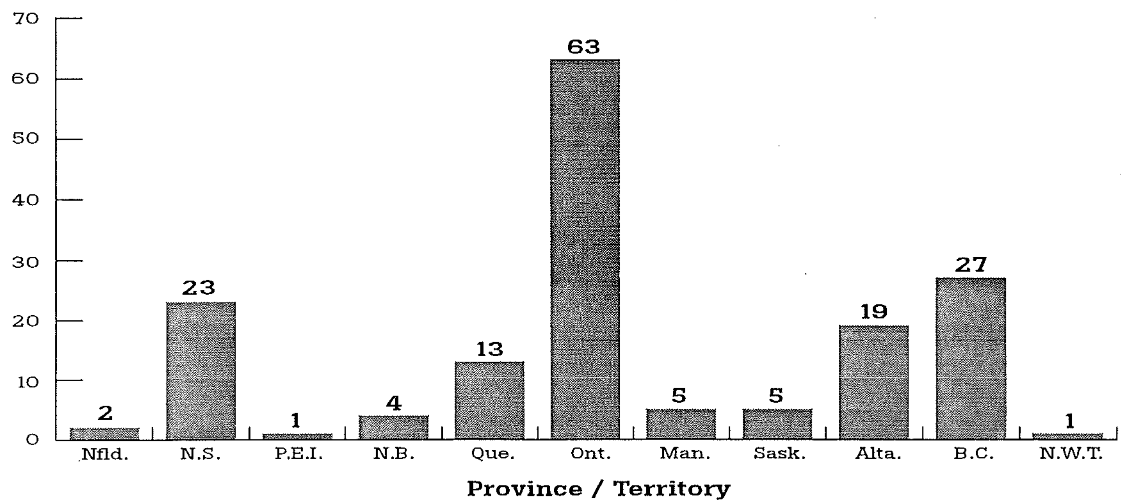
- *Stop the Plunder Fighting Contracting Out and Privatization*
- *The Real Story on 'Public Private Partnerships'*
- *Paying the Price: The Privatization of Britain* (video)
- CUPE Power Tools: *Keeping CUPE Jobs* and *False Savings, Hidden Costs*
- Corporate Cash-in materials
- CUPE Web site: Fighting Privatization
- Ways of Winning education course

Appendix A

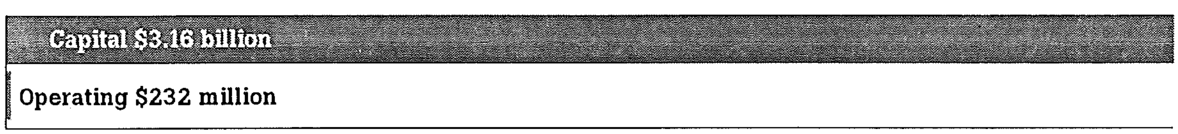
A Statistical Profile of Municipal Public Private Partnerships in Canada

1996

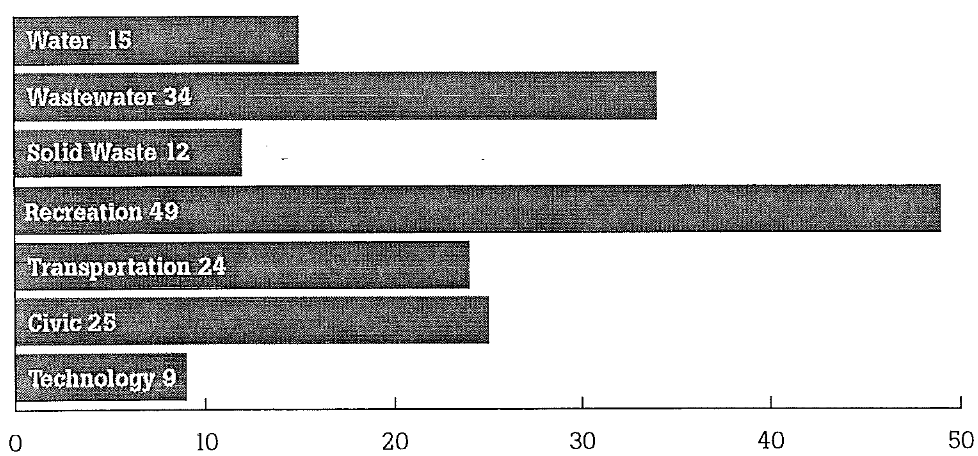
Number of PPPs by Province and Territory



Total Project Value



Number of Projects by Sector



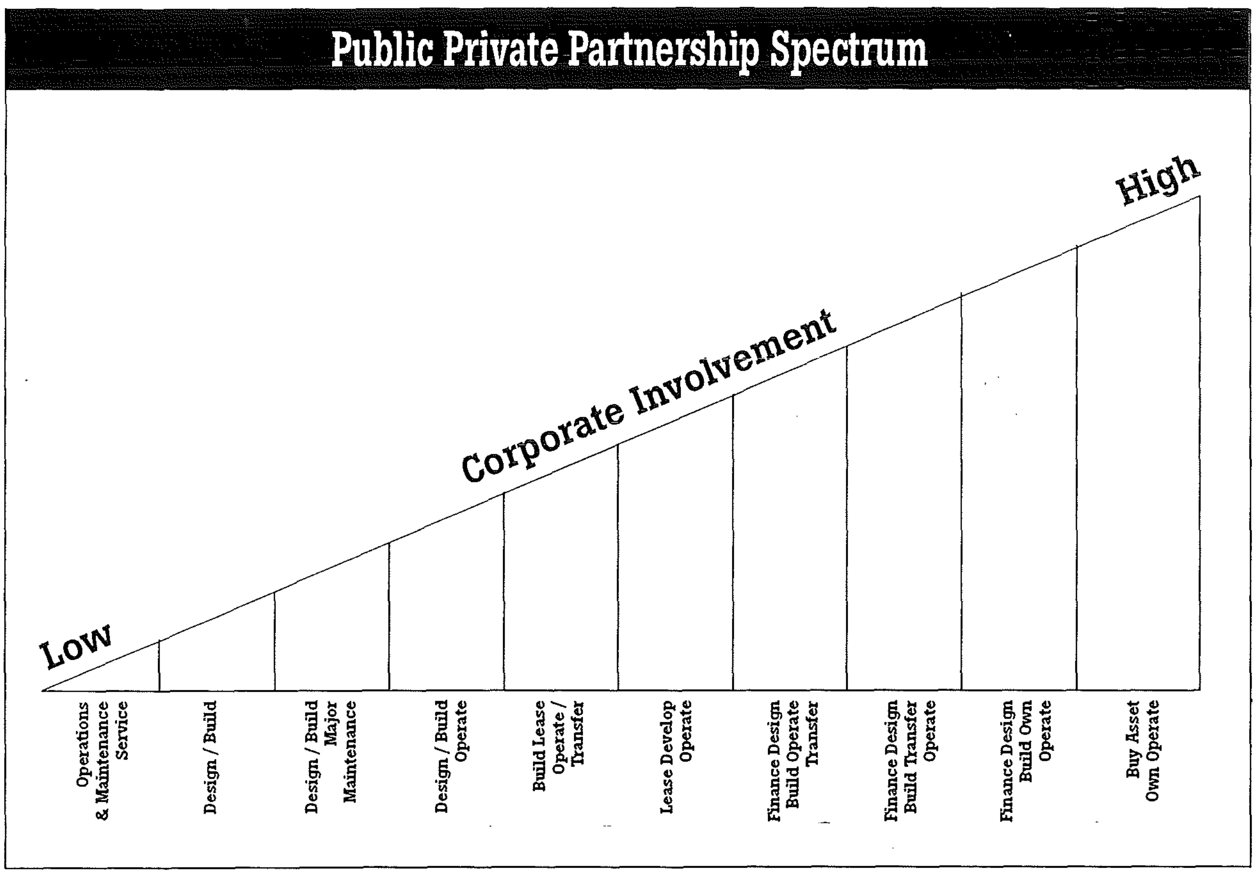
Appendix B

Corporate Takeover of the Public Sector through PPPs

Public private partnerships are a new approach to privatizing and contracting out public services. Through PPPs, corporations become involved in the provision and delivery of public infrastructure and services in new ways – and for longer periods.

Instead of operations and maintenance contracts for two or three years, they establish long term contracts (10-35 years) that include the financing, leasing and ownership of public services and infrastructure.

The following diagram illustrates the spectrum from little to overwhelming corporate involvement in the public sector.



Appendix C

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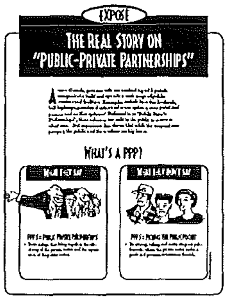
IDEAS FOR USING THE 'EXPOSÉ'



TARGET YOUR PRESENTATION

There are two versions of the Exposé. One (PPP1) is intended for CUPE members and talks about the impact of PPPs on jobs and services. The second (PPP2) is aimed at the public and focuses on the impact on services and taxpayers.

ADAPT IT TO THE SPECIFIC PPP IN YOUR AREA

- Add and/or remove points to make it more relevant to the PPP in your area.

LEAD A DISCUSSION ABOUT PPPS IN A MEMBERSHIP MEETING

- Distribute the Members' version (PPP1) for discussion at a special meeting on PPPs.
- Ask people what they think PPPs are. Then clarify using points in the handout under 'What they say' and 'What they don't say'.
- Discuss each of the areas you think are of most concern to members. Begin with 'How will PPPs affect my job?'. Read the points under 'What they say' and ask people if this IS what the company and the politicians are saying. You might ask for a show of hands under each point for: True, False or Don't Know. Ask for any other arguments members have heard.
- Review the points under 'What they don't say' about jobs. Once again, ask people if they think each statement is: True, False or Don't Know.
- Invite members to identify other examples of PPPs, encouraging them to swap rumours and horror stories.
- Ask if people have any other concerns that haven't been addressed. Note all of the points that require further information and decide who/how this information will be obtained and distributed.

USE AS CRIB NOTES FOR MEETINGS

- Use the Members' version as a guide for making a presentation to the membership about PPPs. Use the points under 'What they don't say' to help answer questions. Don't be afraid to say 'I don't know'. Take down the question, try to find the answer and get back to the member later.

USE AS BACK-UP FOR MEDIA AND PUBLIC PRESENTATIONS

- Use the public version (PPP2) as crib notes for talking to the media or giving a presentation to a community group. You might also hand out the cartoon.

USE IT TO WRITE A LETTER TO THE EDITOR.

- Draw on the handout to write a letter to the Editor. If there is a PPP being planned in your area, you will want to make it specific to that project.

EXPOSÉ

THE REAL STORY ON "PUBLIC-PRIVATE PARTNERSHIPS"

Across Canada, governments are contracting with private companies to build and operate a wide range of public services and facilities. Examples include lease-back schools, toll highways, privatized water and sewer systems; even privatized prisons and welfare systems! Referred to as "Public Private Partnerships", these schemes are sold to the public as win-win situations. But experience has shown that while the corporations prosper, the public and the workers are big losers.

WHAT'S A PPP?

WHAT THEY SAY

PPPS = PUBLIC PRIVATE PARTNERSHIPS

- Partnerships that bring together the efficiency of the private sector and the experience of the public sector.

WHAT THEY DON'T SAY

PPPS = PICKING THE PUBLIC POCKET

- Privatizing, selling and contracting out public assets, where the private sector makes a profit and government assumes the risk.

Illustrations: Margie Adam

HOW DO PPPS AFFECT MY JOB?

WHAT THEY SAY

NO ONE WILL LOSE THEIR JOB.

YOUR COLLECTIVE AGREEMENT WILL BE RESPECTED.

WE'LL LOOK AFTER YOU.

WHAT THEY DON'T SAY

JOBS MAY BE LOST IN THE SHORT TERM.

- At the Hamilton-Wentworth water treatment plant, Philip Utility reduced the workforce by 20%.

JOBS WILL BE LOST IN THE LONG TERM.

- Even when jobs are secure in the short term – to stop opposition to the deal – jobs and wages will eventually be cut to increase profits.
- Jobs lost through attrition mean fewer jobs for young people and heavier workloads for workers left behind.

ONCE THE CONTRACT IS SECURED, THEY'LL BE LOOKING FOR CONCESSIONS.

- Respecting the existing agreement helps reduce opposition to their project.
- However, the collective agreement will be under pressure at the next round of bargaining.
- Because PPP agreements are often for 20-35 years, the private company has many opportunities to subvert the agreement.
- The private partner will undermine the contract, harming labour-management relations.

WORKING CONDITIONS AND JOB QUALITY WILL DETERIORATE.

- Companies weaken health and safety standards and speed up work methods to save money.
- Pay equity and employment equity will suffer.

HOW DO PPPS AFFECT MY COMMUNITY?

WHAT THEY SAY

PPPS CREATE PRIVATE SECTOR JOBS.

PPPS BRING NEW RESOURCES TO THE COMMUNITY.

PPPS PROVIDE CHEAPER PUBLIC SERVICES.

SERVICE QUALITY WILL BE MAINTAINED.

PPPS PROVIDE NEEDED FACILITIES.

WHAT THEY DON'T SAY

NO NEW JOBS ARE CREATED.

- 'Good jobs' become low wage, non-union, insecure jobs.
- Good job opportunities are lost for our children.

THE LOCAL ECONOMY SUFFERS.

- Profits of large corporations leave the community, and sometimes the country.
- Local suppliers lose contracts.
- Lower wages and lost jobs means less money spent in the community.

CHEAPER SERVICES MEAN CUTS IN SERVICE.

- To increase profits, corporations cut corners on materials, maintenance and safety.
- User fees increase.

QUALITY OF PUBLIC SERVICES DETERIORATES.

- Corporations put profits before service and safety.
- Jobs, wages and benefits are cut, resulting in fewer, less experienced staff.
- When a problem arises, the company blames the politicians.
- Privatized water and sewage in Britain led to an increase in dysentery cases and loss of water for many families.

PROFITS COME BEFORE NEEDS.

- Decisions on where to build schools, roads or hospitals are made according to their profit potential, not public need.

WHAT WE SAY

PPPs are a threat to public services and good jobs in your community. Corporations are looking to make big profits from public services. Politicians, looking no further than the next election, are happy to have the private sector offer a quick fix of cash. But in the end, PPPs are more costly, less effective and less accountable.

We say NO to PPPs.

LET'S WORK TOGETHER TO STOP PPPS

- USE THIS TOOL TO DISCUSS THE ISSUE IN YOUR UNION LOCAL AND IN YOUR COMMUNITY.
- MEET WITH YOUR EMPLOYER.
- NEGOTIATE CONTRACT LANGUAGE TO PROTECT YOUR LOCAL FROM PPPS.
- CONTACT OTHER CUPE LOCALS AND YOUR DISTRICT LABOUR COUNCIL TO FIND OUT WHAT OTHERS HAVE DONE.
- WRITE LETTERS TO THE EDITOR OF YOUR LOCAL NEWSPAPER.
- USE RADIO CALL-IN SHOWS TO SHARE 'WHAT THEY DON'T SAY'.
- BUILD ALLIANCES WITH GROUPS IN THE COMMUNITY.
- SET UP A CALL-IN HOT LINE ON PPPS.
- CONTACT YOUR LOCAL CUPE OFFICE OR CUPE NATIONAL FOR MORE INFORMATION.
- OR SEE FIGHTING PRIVATIZATION AT WWW.CUPE.CA

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CUPE SCFP

Canadian Union of Public Employees

EXPOSÉ

THE REAL STORY ON "PUBLIC-PRIVATE PARTNERSHIPS"

Across Canada, governments are contracting with private companies to build and operate a wide range of public services and facilities. Examples include lease-back schools, toll highways, privatized water and sewer systems; even privatized prisons and welfare systems! Referred to as "Public Private Partnerships", these schemes are sold to the public as win-win situations. But experience has shown that while the corporations prosper, the public loses.

WHAT'S A PPP?

WHAT THEY SAY

PPPS = PUBLIC PRIVATE PARTNERSHIPS

- Partnerships that bring together the efficiency of the private sector and the experience of the public sector.

WHAT THEY DON'T SAY

PPPS = PICKING THE PUBLIC POCKET

- Privatizing, selling and contracting out public assets, where the private sector makes a profit and taxpayers assume the risk.

Illustrations: Margie Adam

How do PPPs affect my community?

What they say

PPPs provide cheaper public services.

Service quality will be maintained.

PPPs create private sector jobs.

PPPs bring new resources to the community.

PPPs provide needed facilities.

What they don't say

Cheaper services mean cuts in service.

- To increase profits, corporations cut corners on materials, maintenance and safety.
- User fees increase.

Quality of service deteriorates.

- Corporations put profits before service and safety.
- Jobs, wages and benefits are cut, resulting in fewer, less experienced staff.
- When a problem arises, the company blames the politicians.
- Privatized water and sewage in Britain led to an increase in dysentery cases and loss of water for many families.

No new jobs are created.

- 'Good jobs' become low wage, non-union, insecure jobs.
- Good job opportunities are lost for our children.

The local economy suffers.

- Profits of large corporations leave the community, and sometimes the country.
- Local suppliers lose contracts.
- Lower wages and lost jobs mean less money spent in the community.

Profits come before needs.

- Decisions on where to build schools, roads or hospitals are made according to their profit potential, not public need.

ARE PPPS GOOD FOR THE TAXPAYER?

WHAT THEY SAY

LESS PUBLIC BORROWING WILL SAVE TAXPAYERS MONEY.

THE PRIVATE SECTOR TAKES ALL THE RISK BY PROVIDING THE INITIAL CAPITAL TO FUND THE PROJECT.

CONSTRUCTION OF NEW PROJECTS WILL BE COMPLETED MORE QUICKLY AND ON TIME.

PPPS GIVE CONSUMERS A CHOICE BY INCREASING COMPETITION.

PARTNERSHIPS ARE POSITIVE.

WHAT THEY DON'T SAY

PPPS COST TAXPAYERS MORE.

- It's like leasing a television or a car. In the long term, you pay more and are left with run-down public assets.
- The private sector pays higher interest rates than government.
- Taxpayers spend more to tender contracts.
- The taxpayer has to buy back and rebuild old public assets at the end of the 'partnership'.

TAXPAYERS TAKE THE RISK.

- Taxpayers guarantee the corporate investment.
- When the company threatens bankruptcy or defaults on a loan, government pays.
- If a PPP fails, the government must step in to provide the service.

MAJOR PROJECTS ARE DELAYED AND OVER BUDGET.

- In unrealistic bids to secure the contract, companies underestimate costs.
- Lack of attention is paid to environmental and safety concerns, causing delays.
- Some projects are delayed while companies seek guarantees on their investment.

PPPS CREATE PRIVATE SECTOR MONOPOLIES.

- Only large companies can afford to bid on the contracts.
- We become dependent on private sector monopolies.

PUBLIC ACCOUNTABILITY IS LOST.

- Companies are accountable to their shareholders to make a profit; not to the public for providing good service.

WHAT WE SAY

PPPs are a threat to public services and good jobs in your community. Corporations are looking to make big profits from public services. Politicians, looking no further than the next election, are happy to have the private sector offer a quick fix of cash. But in the end, PPPs are more costly, less effective and less accountable.

We say NO to PPPs.

IF YOU ARE CONCERNED ABOUT PPPs

- DON'T TAKE "THEIR" WORD FOR IT. FIND OUT MORE.
- PUT YOUR LOCAL DECISION-MAKERS ON THE SPOT. ASK QUESTIONS AND PUSH FOR REAL ANSWERS.
- CALL OR WRITE YOUR LOCAL POLITICIAN EXPRESSING YOUR CONCERNS.
- WRITE LETTERS TO THE EDITOR OF YOUR LOCAL NEWSPAPER.
- CONTACT YOUR LOCAL CUPE OFFICE AND ASK FOR MORE INFORMATION.
- OR SEE FIGHTING PRIVATIZATION AT WWW.CUPE.CA

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Canadian Union of Public Employees

New Power Tools
designed to help CUPE members protect their jobs and their rights

1. **THE EI ROADMAP**
   HOW TO NAVIGATE THE EMPLOYMENT INSURANCE SYSTEM

2. **BEHIND THE PRETTY PACKAGING**
   EXPOSING PUBLIC PRIVATE PARTNERSHIPS

3. **PUBLIC INTEREST VS PRIVATE PROFITS**
   THE THREAT OF LEASE-BACK SCHOOLS

Booklets from the first series include:

TOGETHER WORKS BETTER
HOW TO DEAL WITH AMALGAMATIONS AND MERGERS

THE BEST DEFENSE
HOW TO PLAN FOR WORKPLACE RESTRUCTURING

A "JOBS" STRATEGY
HOW TO KEEP CUPE MEMBERS WORKING

PROTECTING MEMBERS
HOW TO USE THE SENIORITY PRINCIPLE

KEEPING CUPE JOBS
HOW TO DEFEND OUR WORKPLACE

A BETTER WAY
HOW TO DEVELOP ALTERNATIVES TO CUTS

NO SURRENDER!
HOW TO FIGHT CONCESSIONS

SOFT LANDING
HOW TO EASE THE PAIN OF LAYOFF

COMMUNICATING CUPE
HOW TO REACH MEMBERS AND THE PUBLIC

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