



# PROTECTING OUR PUBLIC SERVICES AND INFRASTRUCTURE AGAINST PRIVATIZATION

## WHAT UNIONS SHOULD WATCH FOR IN THE 2019 FEDERAL BUDGET

In 2018, privatization continued to threaten the public services and infrastructure that so many workers, services users and communities depend on. Looking to the year ahead, this threat will likely only grow. Sectors at risk include transportation (municipal transit, airports and marine ports), health care (for-profit plasma collection and Pharmacare), the federal public service (Phoenix and outsourcing), social services (Social Impact Bonds) and federal infrastructure (heating and cooling plants in the National Capital Region). As the Canada Infrastructure Bank (CIB) takes shape, it becomes increasingly clear that our fears of it being used to privatize public infrastructure are justified and that these plans will continue to develop in the coming year.

The 2019 federal budget will set the government's priorities heading into the federal election. These insights into the government's plans will help unions and civil society groups focus our work to defend the public services and infrastructure we all rely on and resist privatization in all its forms, new and old.

## TOP FIVE PRIVATIZATION-RELATED ANNOUNCEMENTS TO LOOK OUT FOR IN THE 2019 FEDERAL BUDGET

### 1. SOCIAL SERVICES, SOCIAL FINANCE AND SOCIAL IMPACT BONDS

In recent years, Canada has experimented with new ways to privatize social services, including testing structures that let private investors profit from public programs and control how they are delivered, such as [Social Impact Bonds](#) (SIBs).

Two federal SIB projects have been tested. One was an essential skills project coordinated through Employment and Social Development Canada (ESDC). In this case, the federal government budgeted \$2.75 million for the project, but the maximum that organizations delivering the services were to receive was only \$1.1 million. Fully 60% of the budget went to overhead and investor profits. This would be unheard of in any publicly financed and delivered project.

In September 2018, ESDC released the recommendations of the Social Innovation and Social Finance Strategy Co-Creation Steering Group. The report, titled [Inclusive innovation: New ideas and new partnerships for stronger communities](#), sets the stage for the expanded use of SIBs. On the heels of the report, the federal *Fall Economic Statement* established a \$755 million Social Finance Fund. While social finance has been used in specific instances as an important tool for community economic development (such as projects or enterprises outside the realm of the public sector), there are [concerns](#) the fund will be used to privatize public services.

**In the 2019 federal budget, watch for social finance or SIB schemes in these areas:** Indigenous child and welfare services; incarceration and recidivism; skills training and education; health, housing and social services; and programs related to green technology and climate-change mitigation and adaptation (see section on infrastructure below).

## 2. INTERNATIONAL DEVELOPMENT

As part of Bill C-86 (the Fall 2018 *Budget Implementation Act*), the federal government changed the definition of official development assistance (ODA) and loosened the reporting requirements on Canada's ODA activities, both within Canada and internationally. This gives the government increased autonomy over what is deemed to be development assistance, raising fears that private sector investments, subsidies, loans or grants may be misclassified as ODA, while simultaneously reducing the transparency of such decisions.

Bill C-86 also introduced the [International Financial Assistance Act](#), which gives new legislative powers to the Minister of Foreign Affairs and the Minister of International Development to mobilize private sources to finance ODA. This was done to fulfill a Budget 2018 commitment to deploy \$1.5 billion to support “innovative and blended financing” approaches to ODA. To that end, two new programs were created: the International Assistance Innovation Program (IAIP) and the sovereign loans program.

These programs will be spearheaded by the new development finance institution, FinDev Canada, as part of a new development toolkit designed to promote financing for ODA. Crucially, the government would be guaranteeing risk-adjusted rates of return to private interests – backed by Canadian taxpayers' money – in order to incentivize new investments in ODA.

**In the 2019 federal budget, watch for privatization and blended public-private finance** in all international development programs, especially those related to the United Nations Sustainable Development Goals (SDGs).

## 3. HEALTH AND PHARMACARE

Canada is the only developed country with a universal health care program that doesn't include a universal drug plan. About one third of working Canadians don't have employer-funded prescription drug coverage and almost a quarter of households have reported that they, or someone in their household, couldn't afford to take their medicines as prescribed.

Canada's labour movement, alongside national health care associations, is calling on the government to implement a [national, universal, public prescription drug plan](#) for every Canadian, in every province and territory. Pharmaceutical and private insurance companies, on the other hand, are pushing for a “fill-in-the-gaps” approach that would allow them to continue to profit off of the health and wellness of Canadians.

In the 2018 federal budget, the government announced an [Advisory Council on the Implementation of National Pharmacare](#), which recently released an [Interim report](#) that recommends the creation of a new, arms-length, national drug agency to develop and manage a comprehensive national drug formulary and conduct negotiations with drug manufacturers.

**In the 2019 federal budget, watch for funding allocation for a new national drug agency and for details of a National Pharmacare program in Canada.** Specifically, it must be universal, public and available to everyone, not a model that replicates the current patchwork of public and private plans that is failing so many people, especially the most vulnerable.

#### **4. INFRASTRUCTURE AND TRANSPORTATION**

The back-end loading of funding commitments in recent budgets for infrastructure projects (housing, roads, building retrofits, and green infrastructure) is one way governments underfund infrastructure and transportation needs, opening the door to privatization.

[The Canada Infrastructure Bank](#) (CIB) adds to the pressure. Created in 2017, the bank is legally required to attract private financing for public infrastructure projects such as roads, bridges, electrical grids, water and wastewater facilities, and public transit systems. The CIB's goal is to finance up to 80% of projects through private investors, including pension funds. The bank will shift planning, ownership and control of public facilities to private, for-profit corporations.

The CIB has recently ramped up activity as the bank begins reviewing and announcing projects. The CIB operates at arm's length from government and may not receive a lot of attention in the federal budget, but its existence opens the door to a decrease in public funds for projects that may have otherwise been publicly funded.

**In the 2019 federal budget, watch for underfunding, long-term privatization contracts known as public-private partnerships (P3s) or other forms of privatization in these specific sectors and infrastructure projects:** Northern development; marine ports; federally-owned heating and cooling plants; green infrastructure and technologies; social and low-income housing; water and wastewater infrastructure in Indigenous communities; and inner and inter-city transit and transportation services and infrastructure.

#### **5. FEDERAL PUBLIC SERVICE, OUTSOURCING AND PHOENIX**

Privatization of the federal public service comes in many forms, including P3s, contracting out, and the growing use of Temporary Help Agency workers rather than maintaining a workforce of permanent, full-time employees. In the federal public service, 15.3% of employees are now categorized as term, casual or student, which does not even include those doing public-sector work who are self-employed by companies that contract to the federal government.

P3s or the contracting out of projects to the private sector, in part or in their entirety, has proven time and again to cost the government more, impact the quality of projects and programs, and reduce transparency and accountability. The [Phoenix Pay debacle](#) has been a financial nightmare for thousands of public service workers, and has already cost taxpayers more than \$1 billion to fix, with no clear solution in sight. While the 2018 federal budget included funding commitments related to Phoenix, it failed to outline a clear plan forward for the effective use of these expenditures.

**In the 2019 federal budget, watch for the underfunding of federal public services that can open the door to outsourcing and privatization, as well as the announcement of new P3 projects.** Specific programs and projects at risk of privatization include: immigration services; correctional services; Parks Canada programs and services; and the [Energy Services Acquisition Program \(ESAP\) Heating Plant Modernization](#) project, which should be re-tendered as design-build only, with public sector workers maintaining and operating the facilities.

---

*“Privatization often involves the systemic elimination of human rights protections and further marginalization of the interest of low-income earners and those living in poverty... Are private entities dedicated to maximizing their own profits best placed to protect the rights of the community? Is it possible to privatize vital services in such a way as to ensure that the most vulnerable are not further disadvantaged?”*

*– Philip Alston, UN Special Rapporteur on extreme poverty and human rights, September 2018.*

---

## **WHY PUBLIC SERVICES AND INFRASTRUCTURE MATTER**

The public sector and the services it provides are an essential and defining feature of Canadian society. While providing vital services and facilities to individuals and communities, the public sector also stimulates economic growth, creates good jobs, and plays a critical role in fighting inequality. A well-resourced and equitably administered public sector ensures that no one is left behind and that everyone has equal access to the services they need and depend on.

The Canadian labour movement is dedicated to promoting, defending and expanding public services and programs that meet the needs of individuals and communities, stimulate sustainable growth, and help to create good, secure, green jobs across the country. Central to this commitment is fighting the threat posed by overt and disguised forms of privatization.

## THE THREAT OF PRIVATIZATION

Like austerity, privatization has grown at all levels of government since the 1980s. It is intimately tied to the neoliberal ideological claim that the private sector is more innovative and efficient than the public sector. This claim could not be farther from the truth. Not surprisingly, the same corporations that profit from privatization are also behind this decades-long campaign that has gone hand-in-hand with efforts to slash corporate tax rates and undermine unions and the rights of working people.

Whether through P3s, contracting out, or SIBs, privatization hurts people, undermines public services, and is an inefficient and wasteful use of public funds. Time and again privatization has led to:

**Higher costs for governments and individuals:** Whether it's toll roads, water and hydro rates, or user fees for other public services, individuals, families and communities always end up paying more when services and infrastructure are privatized. Governments are also left with a hefty bill, spending more for services and infrastructure that would cost less if publicly financed and delivered.

**Lower quality and compromised safety:** Cost-cutting measures often lead to a decline in the quality of services and infrastructure. This can lead to serious public health and safety risks like contaminated drinking water, unsafe highways, overcrowded hospitals, or raw sewage spills. These are just a few real-life examples of the consequences of privatization. Quality is sacrificed when the bottom line becomes the top priority.

**Lower wages and working conditions:** One of the key ways private investors and corporations increase their profits when services are privatized is by reducing labour costs. This means cutting jobs or driving down the wages, benefits and working conditions of frontline workers. Good middle-class jobs are replaced with low-wage, precarious jobs. This particularly impacts already-marginalized workers and equity-seeking groups, including women.

**Increased inequality:** Privatization increases income inequality by driving down workers' wages and benefits. It also reduces access to services and infrastructure for some of the most vulnerable people in our communities, further marginalizing low-income earners, those living in poverty, and other equity seeking-groups, including women, new immigrants, Indigenous peoples, racialized people and young people.

**Less transparency, loss of control, and a lack of accountability:** Privatization comes in many forms, and may include outsourcing the financing, planning or evaluation of public services and infrastructure to third parties that are unaccountable to the public. Contractors, consultants and investors often gain unprecedented control over a program's design, goals, evaluation, and even over which programs are pursued in the first place. Project costs, results and analysis are usually cloaked in secrecy, making it next to impossible to hold governments and businesses accountable.

**For more information** on the dangers of new forms of privatization, like SIBs, check out CUPE's Fact Sheet [10 ways social impact bonds hurt people and public services](#) and NUPGE's Guide to [Privatization by Stealth](#).

