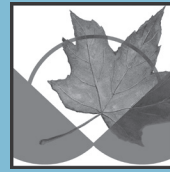


Election 2016 UNSPUN



CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE

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Keep public services public: The perils of P3's and SIBs

The results of the recent federal election are a likely indication of what Manitobans want to see from our next government: transparency; stimulus spending on ailing infrastructure, financed by deficits; a transition to a green economy; and respect and support for Canada's public service workers.

In an open letter to Canada's public servants, Prime Minister Trudeau made a campaign promise to reverse the decade long attack on the public service, acknowledging the invaluable role they — and the services they provide — play in our society. Hopefully that spirit will filter through to whichever party forms Manitoba's next government.

Government spending, public-sector employees and unions seem to come under the gun in society, with an assumption that a healthy public service sector and public spending is somehow a net drain on society. Nothing could be further from the truth.

There is now a considerable body of research showing the value of public spending on public services. The Winnipeg Free Press acknowledged in a February 3, 2016 editorial how wrong things can go when "governments go cheap." Flint Michigan, First Nations communities, Walkerton, North

Battleford, Montreal and now Winnipeg are all examples of how cut backs on infrastructure and public services can have a serious impact on people's lives.

Cutting spending and staff leads to problems that eventually bubble to the surface: lead poisoning in Flint; E. coli poisoning in Walkerton; raw sewage in the Red River; crumbling highways, streets and bridges; healthcare professional and/or teacher shortages. Many of these tragedies have an outsourcing story at their heart, often in the form of public private partnerships (P3s).

In an effort to have its cake and eat it too, many governments look to P3s or social impact bonds (SIBs) to provide services cheaper and more efficiently. SIBs are a new way of funding social services using private sector involvement. The private sector, according to neoliberal economic theory, can do anything better than government and as costs come down, so can taxes. Cut taxes, transfer responsibility to the private sector, shrink government and voila — we have efficient allocation of resources. Text book perfect.

Real life, unfortunately rarely follows populist theory. In a report published by CCPA Saskatchewan, 22 incidents of outsourcing

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of public services through P3s in Canada are evaluated. From snow-clearing nightmares in Halifax, a bankrupt private surgical clinic in Alberta, to P3 mismanagement in BC, examples abound of privatization — also known as outsourcing — schemes gone awry.

Outsourcing can be complex and lack transparency, particularly when P3s are used. Under a P3, a for-profit company does any combination of: designing, building, financing, operating and even owning public infrastructure. Contracts, which range from years to decades, are complex and need to be carefully analysed before they are awarded, but the efforts of strong lobby groups such as the Canadian Council for Public Private Partnerships present P3s as a lower-cost, low-risk way to finance public infrastructure. Many governments accept that claim at face value.

Even social programs are susceptible to the privatization grab. SIBs are being used to fund programs typically supported by taxes, such as reducing recidivism in prisons. The public sector issues a bond and the private or social sector finances and delivers services under contract to the public sector. Specific delivery timelines and targets, such as a reduction in recidivism, are set. If targets are met, the agency can cash the bond, receive reimbursement for their costs and a rate of return based on performance.

Like P3s, SIBs are extremely complex and the claims made about them are equally dubious. Indeed as one expert - Dexter Whitfield - stated: "The organisational structure of SIB projects is more innovative than the services they deliver and the methods they use to achieve outcomes." Whether with P3s or SIBs, corporations have to put profit ahead of social outcomes; in the case of SIBs that means that only those individuals with the best chance of succeeding will be chosen to participate. Even then, there are examples in the U.S. and U.K. of SIBs not meeting targets, leaving governments to

spend large sums of money to clean up the aftermath, and few examples of SIBs that have delivered.

In 2013, the government of Manitoba released the regulations that govern the province's new Public-Private Partnerships Transparency and Accountability Act. A first for Canada, this act recognizes the serious accountability concerns with P3s and forces officials to consider whether they have met certain criteria to protect the public interest. Although the regulations could have gone further, having such legislation on the books provides an important tool with which to address the many pitfalls of P3s. It's a tool that needs to be used regardless of which party takes power.

We now have enough evidence to judge whether or not outsourcing of public services and downsizing of the public sector delivers a net benefit to society. In most cases the public sector can, if properly resourced, deliver better results for less money. As a growing number of disasters like Flint Michigan play out, insourcing is becoming more and more common, with examples in the U.S. and Canada.

The results of the federal election indicate that most Canadians understand the value of publically provided services. Hopefully this is a lesson all the political parties in Manitoba have absorbed.

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UNSPUN is the 2016 provincial election commentary from the Canadian Centre for Policy Alternatives Manitoba

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