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**The State of
Public Services
in Manitoba, 2007**

Privatization: The Public Service Trojan Horse

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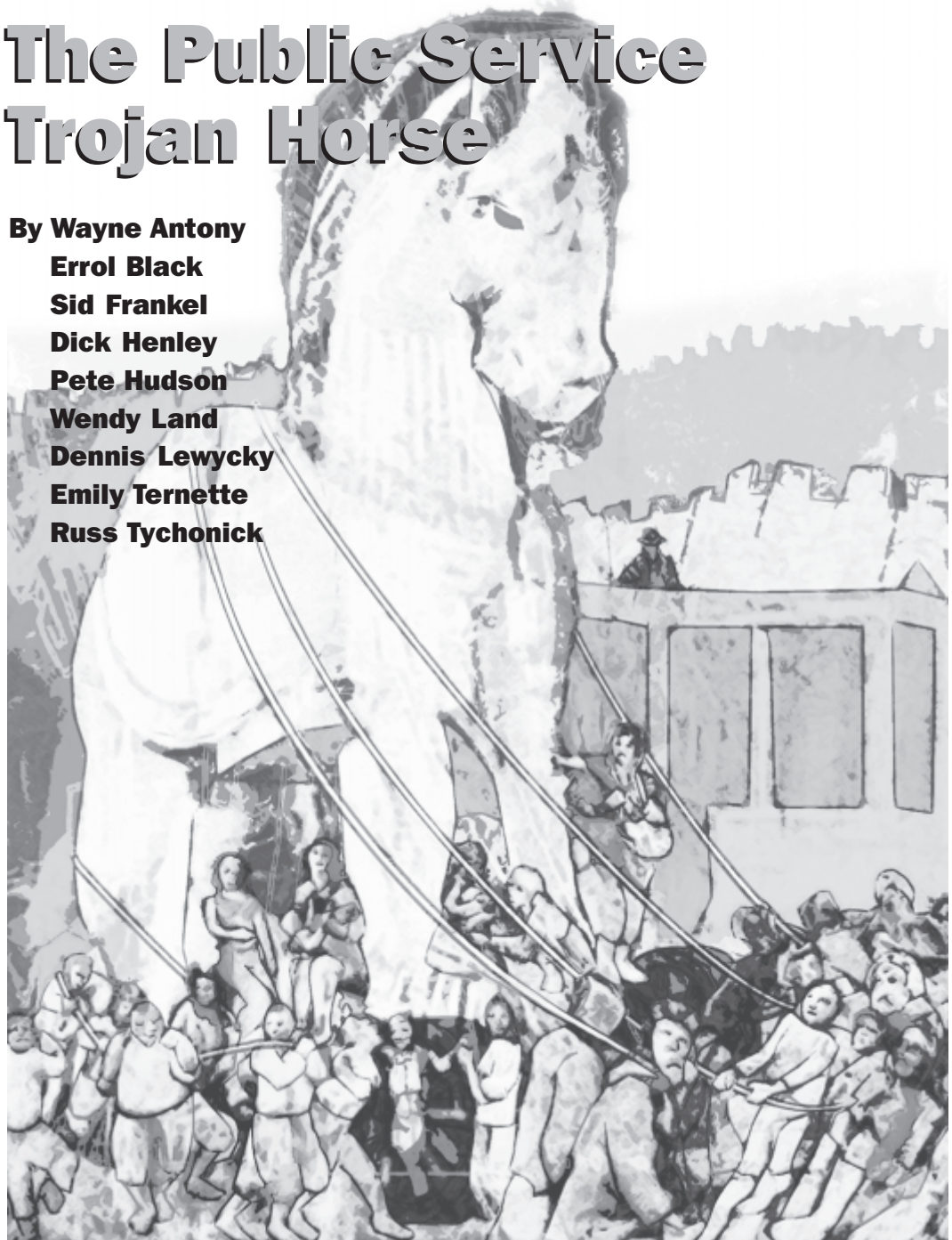
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The State of Public Services in Manitoba, 2007

Privatization: The Public Service Trojan Horse

Summary

One of the key political dynamics of our time is the pressure on governments to provide more public services with fewer resources. With an aging population and deteriorating urban infrastructure, expanding immigration and globalization of commerce, all levels of government are faced with greater demand for public services. At the same time, taxation seems to be a limited resource and a politically loaded means of meeting these needs.

Some politicians and business leaders propose privatization of public services as a solution to this dilemma. In very general terms, privatization—contracting-out, outsourcing, public-private partnerships, sale of assets, among other forms—is being touted as a way of providing public services.

This report looks at the various forms of privatization in each of health care, education, municipal services, and social services. In the health and education sectors, privatization has not been as widespread as in municipal services, where privatization is seen more and more as the means to avoid the negative impact on services from the on-going drive to cut taxes. Implicit privatization has been slow and steady in social services.

There is some public awareness of large-scale privatization, such as the sale of the Manitoba Telephone System, or the Charleswood Bridge P3. Occasionally there are reports on the privatization of garbage collection or concessions at our golf courses. But a great deal of pri-

vatization, is hidden and subtle, such as the contracting out of janitorial services, the under funding of child care, or the imposition of business management methods in schools or colleges. And “creeping privatisation,” in its most common and surreptitious form, the introduction of user fees, seems to be completely ignored.

In health care, privatization is mainly observed in the determined drive to take healthcare services (both medical and ancillary) out of the public healthcare basket, and resistance to adding services to the basket. The contracting out in health care has been mostly disastrous as the home care, Aramark/USSC and Smart Health cases show. Moreover, experience elsewhere shows that privatizing other aspects of healthcare will be equally inefficient.

For kindergarten to grade 12 schools, privatization is provoked by under funding, as public schools increasingly rely on fundraising (teachers buying classroom essentials out of their own pockets, for example) and on the commercialization of schools (almost 2/3 of schools use materials with corporate sponsorship). In higher education, adopting a business view of education tops the privatization list; in regarding foreign students as a cash resource, but more importantly, in centralizing government control and institutional governance of universities and colleges (as seen in the COPSE legislation and the on-going dis-

pute over the creation of UCN). In both these sub-sectors, quality and equity in education are being threatened.

In municipal services, contracting out of services, from waste collection to recreation facilities and Handi-Transit, and P3s such as the Charleswood Bridge in Winnipeg, are well-known and are proceeding, or threaten to proceed, at nearly breakneck speed. The cases of garbage collection in Winnipeg (where the cost saving has not materialized), recreation services in Brandon (golf and rink services in Brandon have decreased), and Handi-Transit in both Winnipeg and Brandon (which is being consistently under funded), show that contracting out has not been less expensive nor has the quality of service improved. P3s, the much-touted saviour of cities with huge capital requirements, are suspect as the Charleswood Bridge shows—it will cost citizens almost 25 percent more than if financed by city government.

In the social services sector, overt, obvious privatization has not been far-reaching. Covert forms, however, are: a wide range of social services is delivered by voluntary organizations. Implicit privatization has also taken place through the ever-decreasing levels of overall expenditure, the restrained support for early childhood education and care, and the dramatic decrease in various forms of income support for Manitobans on low income. Total government per capita expenditure, for instance, regained 1992 levels only in 2004.

In brief, we find that privatization in all sectors has not lived up to the promises and claims of lower cost, and more effi-

cient and more effective public services. As numerous instances show, privatization does not deliver the economic goods, but it does harm to us in other ways.

Currently, many governments are leaning towards having more private enterprise provide services to their publics. But, as they devolve services to these contractors they are losing operational control. Though most government services continue to be provided by public agencies, the balance that allows governments to maintain accessible and quality services is precariously close to being lost.

Privatization in the guise of solving our public service needs, just like the Trojan Horse of Greek myth, is more likely to erode our public service system than energize it. The choice to let it in or keep it out is ours. Without due attention and serious effort on the part of citizens and politicians, private sector agencies could soon dominate public service and Manitobans will have little or no power to reclaim authority for the services essential to our quality of life.

The *State of Public Services* reports published in 2003 and 2004 by the Canadian Centre for Policy Alternatives-Manitoba (CCPA-MB)¹ focused on the “fragile recovery of public services” and the “tax-cut wall” in Manitoba. These reports sought to record how public services were gradually being rebuilt after a decade of political neglect, funding reductions, and administrative inaction. While the analysis in these documents indicated that governments had made some efforts to meet the public’s services needs, there was still a considerable need for expansion and improvement of services.

1 Canadian Centre for Policy Alternatives-Manitoba (CCPA-MB) (2003) *A Fragile Recovery: The State of Public Services in Manitoba*; and (2004), *The State of Public Services-Manitoba*, Winnipeg: CCPA-MB.

Another major development in Manitoba's public services affects their long-term quality and accessibility and was only touched on in earlier reports. This report will look at the trends in privatization of public services in Manitoba and the consequent impact on the cost, quality, and capacity of service delivery, particularly for different social groups. Specifically, we examine the privatization occurring at the provincial government level in education, health, and social services, and at the municipal level.

The privatization of public services has

been ongoing for the past 20 years and is increasing throughout Canada. Manitoba has not seen the dramatic sale of public assets to large corporations (often American or European) that has occurred in British Columbia or Ontario. However, significant privatization by default has occurred through implicit means, such as increased contracting out of services or the use of user fees. The impact of 'creeping privatization' on public services remains severe and sufficiently important to warrant the attention and objection of this report.

Defining Privatization

There are goods and services that everyone in society needs. These goods and services are, because of their universal and essential nature, public goods and services. We have come to treat these as rights of citizenship rather than as privileges of income. We believe that no one can be denied access to such goods and services because society deems them essential to the well-being of individuals and of society. National defence is the classic example.

As Val Werier wrote in the *Winnipeg Free Press* in 2005,

PRIVATIZATION is being touted as the best way to run our affairs, so it is worthwhile examining the record of municipal enterprise in Winnipeg. The record was quite remarkable indeed founded on the philosophy that government can act in a vigorous manner to promote the common good.

Here is what the *Winnipeg Municipal Manual* of 1950 had to say: “The city of Winnipeg is a firm believer in municipal ownership of essential public utilities.”

It goes on to list the services it owns and operates. They include hydro-electric power, water works, central steam heating system, stone quarry, asphalt plant, gravel plant, and several more.

The city expressed great pride in these accomplishments, noting, among other triumphs, providing electricity at a rate among the lowest on the continent, and a soft water system adequate for one million people. It went on: “Winnipeg enjoys the distinction of being the first city in America to acquire a municipal asphalt plant for constructing new pavement.”

There is some dispute about how “well-being” is defined and how much support society is required to provide individuals to maintain social well-being. The United Nations, for example, declared in 1974 that the world’s citizens have the right to adequate food, while the United States and agricultural corporations agree only to provide access to appropriate nutrition.² Yet, food is obtained almost entirely through the private market. In 1829, Egerton Ryerson said, “On the importance of education we may remark, it is a necessary as the light—it should be as common as water and as free as air.”³ That is, some goods and services must be provided by the state.

Privatization is a shift in authority, ownership, and/or the ideology for producing and/or delivering public services from state-controlled to private means.⁴ It refers to how governments (federal, provincial, municipal) and public institutions (universities, mar-

2 See David Goodman and Michael Watts (eds.) (1997) *Globalising Food: Agrarian Questions and Global Restructuring*, London: Routledge.

3 Quoted in Canadian Teachers’ Federation and Canadian Centre for Policy Alternatives (CTF/CCPA) (2006) *Commercialism in Canadian Schools*, Ottawa: CTF/CCPA, page 3.

4 See Brendan Martin (1993) *In the Public Interest: Privatisation and Public Sector Reform*, London: ZED Books, Chapter 1.

keting boards, hospitals) provide services through private, market-oriented frameworks and means.

Privatization is usually seen as a change in ownership from the public to the private sector, as in the sale of Manitoba Telephone System (MTS) to private interests. At a municipal level, examples of privatization include contracting snow removal or garbage collection to private corporations, services that were previously delivered by municipal equipment and personnel. Provincial governments are opening the door to private companies to provide support services to schools and hospitals that were previously provided by civil servants. And, federally, private companies are now providing supports to the military, doing programme evaluation and design, researching food safety requirements, servicing computers, and implementing international development assistance programmes.

Most often, and particularly in Manitoba, privatization is not as dramatic and as transparent as the sale of Manitoba Telephone System. The means used to privatize services are not always as public as that used by the City of Winnipeg when it handed over its ability to collect solid waste to the corporate giants BFI and WMI. More often, we see creeping privatization. Companies such as Central Park Lodges are slowly and quietly adding to their assets by buying up existing public nursing home facilities, such as the Maples and River East personal care homes. Or, janitorial services are contracted out in a single government building or department and then, over a number of years, all janitorial services are contracted out.

However privatization occurs, a funda-

mental underlying issue is how citizens will pay for the services from which they directly or indirectly benefit. Will we continue to pay for services collectively through our taxes, or individually through user fees? Will we retain the principle of universality, or will we increasingly restrict services to a person's ability to pay?

This is not to say or imply that there is no role for the private sector in providing public services. Governments are bound to provide various assets and facilities for public services, like buses for public transit. Yet, it is unreasonable to suggest that governments also manufacture the buses, or build the schools, and so on. There are many goods and services that are best provided by private means to support the delivery of public services. But, when private providers take over the ownership or control of these public services, the boundary between public and private service has been overstepped.

Variations on a Theme

Privatization can take a number of forms, some of which are discussed below.

Sale of Assets

This is the most obvious form of privatization. A public service that, historically, developed physical assets is sold to privately owned corporations or to individuals. The key recent example in Manitoba is the sale of Manitoba Telephone Service (MTS) shares to the general public. In 1996, the Conservative government of Gary Filmon approved turning the wholly owned crown corporation into a publicly traded company, allowing individual investors to take control of the company. Within 48 hours of MTS

shares going on the market, 5.7 million of them were flipped, earning their owners an \$18 million profit. The company was renamed Manitoba Telecom Services Ltd., and, six months after the privatization, it migrated outside Manitoba's boundaries and switched from individual to institutional investors. Within two years, MTS sought and got approval for a \$3 per month rate increase.

The right of way for cable television corporations to use phone lines, and private ownership of municipal sewer lines or landfill sites, are other examples of public assets that had been built up, often over many years, and then sold, thereby putting those assets into the hands of a very few people. In such scenarios, governments lose control over the service and have little or no ability to get the asset back if wanted or needed.

Contracting Out

In this scenario, private companies or individuals on a contractual basis can deliver services that were once delivered by public servants. While a contractor does the specific work, a government department often maintains ultimate authority over, and evaluation of, the service. One of the main rationales for contracting out is that private sector workers can do the job for lower levels of pay and benefits than those paid to mostly unionized public sector workers. Examples are janitorial services provided to municipal government buildings by small local companies. There are now companies that provide social service agencies and personal care homes with workers on a casual and longer-term basis, often

to supplement or replace public service workers. This is, by far, the most common form of privatization.⁵

User Fees

There are two types of user fees paid for public services that are different from paying directly for services in the private sector. Users may pay fees at the point of service, which are usually a fraction of the cost of the service. In Manitoba, for example, residents pay fees to rent camping space in provincial parks, to obtain certain governmental forms, or to obtain some services in personal care homes. The other is a generalized user fee found often in the form of premiums paid on top of a programme supported by general tax revenues. In this form, all residents pay, as they do in Alberta, to finance their public health insurance system.

Deregulation

When governments are persuaded to loosen or abolish regulations for a particular area of private-sector activity, the result might undermine their ability to maintain quality services. Reducing 'government red tape,' for example, often means making it easier for companies to function without the labour, environmental, and consumer protections that now exist. At a national level, the Canadian government is under pressure from US water companies, for example, to reduce the controls on natural water resources, so they can export water (and make a great deal of money doing so). Similarly, in recent years Environment Canada has moved a great distance towards allowing cor-

⁵ A US study found that 80% of privatization of programmes and services used contracting out (Keon Chi and Cindy Jasper (1998) *Private Practises: A Review of Privatization in State Governments*, figure 7, available at www.privatization.org/database/trendsandstatistics.html).

porations to set pollution and emission standards for themselves and to monitor their own compliance with those less stringent standards.⁶

Business Thinking in Public Services

A somewhat surreptitious form of privatization occurs when the values of the marketplace frame the culture and organization of public service delivery. That is, when a public agency is forced to “run like a business” or “act like it is competing in the marketplace,” it is taking on the character of a private company.

“Merit pay” and “bonus schemes,” for example, supposedly provide incentives for civil servants to do well in their jobs beyond fulfilling the ideal of public service. Corporate models of management where the ultimate goal is profit making, such as “total quality management” and so-called “continuous-quality improvement,” are imported into the public sector. Simplistic “cost-benefit analysis” and “economies of scale” are other value-laden assumptions that have permeated the management of social services. The most common form of privatization in health care and education, for example, is to set up a system of internal competition between institutions, especially hospitals and schools. In the education system, providing parents and students with “vouchers” creates the appearance of competition and market choice, but may only force institutions to ‘market’ themselves to the lowest common denominator. This marketplace thinking assumes that citi-

zens are only consumers and that public services are merely commodities.

Public-Private Partnerships

Public-private partnerships (P3s) are used to build or refurbish facilities without major short-term capital outlays by government. In a P3 arrangement, a private company or a consortium borrows the money, constructs a facility, and then recoups its investment plus profit, by leasing the facility to the government. Often, after a set period of time, ownership reverts to the public authority. The Charleswood Bridge in Winnipeg is one example. In Ontario, the government wants to build new hospitals on a P3 basis, and in Nova Scotia, several schools were developed through P3 arrangements. However, increasingly, the evidence is that the public pays more for less service with a P3.

Privatization by Default

There are two very subtle forms of privatization that result in what is being called “privatization by default.”⁷ One is “implicit privatization,” which occurs as limitations are placed on the mandates of public programmes that then allow the government to disengage from specific responsibilities.⁸ This is setting a boundary around a basket of basic services. What falls outside the basket is considered non-essential and is, therefore, not provided. When these services, which were provided by a government-funded activity, are excluded, people are forced

6 Maude Barlow (2005) *Too Close for Comfort*, Toronto: McClelland and Stewart, pages 178-183.

7 E.S. Savas (2005) *Privatization in the City: Successes, Failures and Lessons*, Washington, D.C.: C.Q. Press.

8 P. Starr (1989) “The meaning of privatization,” in S. B. Kammerman and Kahn, A.J. (eds.) *Privatization and the Welfare State*, Princeton: Princeton University Press.

to get these benefits from non-government sources (individuals, family members, the voluntary and non-profit sectors, or private businesses). Some privatization in health care occurs in this way as more and more procedures are excluded from coverage. Children's dentistry services, some drug coverage, and eye care coverage are examples.

"Privatization by attrition" involves restricting publicly produced services in volume, availability, or quality. Often the result of cutbacks in funding, this form of privatization can lead to rationing of a service, which leaves the needs of citizens unmet, and/or forces individuals to purchase the services from the private sector.⁹ Moreover, rationing in this way often favours the few: those individuals who have the resources to buy services, or those individuals who have the skills and resources to use the inevitably more difficult application procedures. One example of this phenomenon is reduced government funding of universities, combined with bursaries provided for only some students.

Both forms of privatization by default transfer responsibility for the funding of public services from the public sector to the informal and voluntary sectors and lead to public services that are residual and available only in particularly exceptional circumstances.

Non-Profit Privatization

Government use of voluntary agencies and non-profit organizations to provide services may lead to restrictions in the volume and quality of services and to dilution of government responsibility, but it raises some considerations different from those involved in the use of commercial organizations. The support of voluntary and non-profit organizations by governments can be 'privatization as community development' when governments empower community organizations to provide goods and services in a non-bureaucratic manner, while building community capacity and honouring local culture.¹⁰ Similarly, voluntary and non-profit sector organizations can play important roles in innovation, advocacy, guardianship of democratic values, and delivery of services, which large state bureaucracies cannot effectively assume.¹¹ Yet, the capacity of the sector may be limited by this partnership with the state as the state adopts a "third-party government"¹² stance to contain its costs and limit the scope of its responsibility. At its worst, this can lead to the subordination of the voluntary and non-profit sector to become agents of government. As organizations act like government agencies rather than providers of community service, and professionalization and bureaucratization take over, they may lose their ability to serve the needs of civil society.

9 Ibid.

10 Ibid.

11 J.S. Ismael (1988) "Privatization of social services: A heuristic approach," in J.S. Ismael and Y. Vaillancourt (eds.) *Privatization and Social Services in Canada*, Edmonton: University of Alberta Press.

12 L.M. Salamon (1995) *Partners in Public Service: Government-Non-Profit Relations in the Modern Welfare State*. Baltimore: Johns Hopkins University Press

Promoting Privatization

What is driving the trend toward privatizing the supply and delivery of public services? At its most general, privatization appears to be driven by the claims of cost reduction and efficiency. Advocates of privatization argue that public services have become too costly for the quality of services provided, and that private organizations can achieve the goals of public service at a lower cost. Advocates of public control counter that services can be delivered economically and effectively by civil servants given the appropriate supports, management, and operational authority.

It is also clear that privatization is driven by the desire of private corporations to find new opportunities for profit making. Education and training, health care, communication, and infrastructure operation, historically seen as unprofitable, now represent multi-billion-dollar industries to private corporations.

Part of the debate over whether or not to privatize is also driven by changes taking place in Canada since the advent of trade agreements signed in the last 15 years with the United States. The Free Trade Agreement (FTA) and the North America Free Trade Agreement (NAFTA) have put pressure on the Canadian government to reduce taxes on business, lift barriers to foreign ownership, eliminate regulatory and quality controls on goods and services, and reduce environmental protection, therefore, generally reducing its capacity and ability to provide quality services.

Globally, the average rate of corporate

taxes has decreased from around 45% in the mid-1980s to just above 30% in 2003, in all OECD countries (taken together). In Canada, corporate tax cuts proposed in the 2005 federal budget lowered our federal corporate tax rate to just 19% and the combined federal-provincial-municipal corporate tax rate to 31% (which is actually about 4% lower than the overall U.S. rate).¹³ These tax cuts on corporations, combined with similar tax cuts for wealthy individuals, persistently high unemployment, and the requirements of the free trade agreements, put severe fiscal pressure on Canadian governments.

Since the FTA was signed in 1985, Canadian social programmes have been cut to match the generally inferior U.S. levels. This process started just four months after the implementation of FTA when the Mulroney government brought down its 1989 budget. It imposed cuts to Unemployment Insurance, Old Age Security, and federal transfers to the provinces for health care and education. This pattern of social spending cuts continued through the mandate of the Progressive Conservative government and was accelerated by the Liberals after they took office in 1993, especially in their 1995 budget, which included \$29 billion in spending cuts over the next three years.

Changes to unemployment insurance (UI, or EI, as it is now called) in the last decade are a stark example of this pressure to downsize federal social programmes. The EI system has been slashed repeatedly by all federal governments to conform to the lower standards prevail-

13 Thom Hartmann (2005) "Repeated corporate tax cuts signal return to a feudal society," *CCPA Monitor* 11, 10 (April).

ing in the U.S.. In 1989, 75% of unemployed workers in Canada qualified for UI benefits (as compared to 52% in the U.S.). By 1993 this had dropped to 57%, and, by 2002, only 38% of jobless Canadians could qualify for coverage.¹⁴ These deep cuts hurt more women than men because women more frequently work part-time and enter and leave the workforce more often due to child-care responsibilities. Similarly, in health care alone, the federal contribution has dropped from 50%, under the pre-CHST (Canadian Health and Social Transfer) Established Programs Funding, to just 13.3% in 2000.¹⁵

Canadian society has also become noticeably more unequal in the free trade era. Real incomes declined for most Canadians in the 1990s, with median family income dropping from \$43,500 in 1990 to \$39,900 in 2004 (or 8.27%).¹⁶ While this decline can't be blamed entirely on free trade, it is undeniable that the downward pressure on wages, the loss of so many secure full-time jobs, and the sharp cutbacks to social transfer payments have contributed significantly to rising inequality.

Free trade and other neo-liberal economic policies have also led to a markedly more unequal distribution of wealth. From 1984 to 1999, the poorest 40% of Canadians had their share of the nation's total wealth reduced from 1.8% of all personal assets to just 1.1%. Over the same period, the richest 10% of the population enjoyed a rise in net worth from 51.8% of all wealth to 55.7%.¹⁷ By 2005, the top 20% saw their wealth increase, so that they owned 75% of Canadian wealth (up from 69% in 1984), while the bottom 20% saw their share drop by 43%.¹⁸ In terms of income, during the free trade era, the bottom 20% of families saw their income fall by 7.6%, while the top 20% saw theirs rise by 16.8% (1989 to 2004). Moreover, the average Canadian wage increased by 8% in the free trade period, while the top 1% saw theirs increase by 64%.¹⁹ In the context of increasing inequality, strong, publicly delivered social programmes are becoming even more necessary.

In these circumstances, tax cuts unavoidably lead to under funding of public services. One estimate suggests that in 2005 alone, tax cuts reduced the federal and provincial revenue by \$50 billion. If taxes

14 Andrew Jackson (2005) *Work and Labour in Canada: Critical Issues*, Toronto: Canadian Scholars Press, page 34; Bruce Campbell (2006) "Record shows 'free trade' detrimental for most Canadians," *CCPA Monitor* 13, 3 (July/August).

15 Errol Black and Jim Silver (2004) *Equalization: Financing Canadians' Commitment to Sharing and Social Solidarity*, Winnipeg, Halifax, and Ottawa: Canadian Centre for Policy Alternatives.

16 Statistics Canada (2006) "Distribution of Total Income by census family type, 2004, constant dollars, annual," Table 202-0408, available at cansim2.statcan.ca/cgiwin/cnsmcgi.exe?Lang=E&RootDir=CII/&ResultTemplate=CII / CII___&Array_Pick=1&ArrayId=2020408.

17 Karen Hansen-Kuhn and Steve Hellinger, eds., *Lessons from NAFTA: The High Cost of Free Trade* (Winnipeg, Halifax, and Ottawa: Canadian Centre for Policy Alternatives, 2003), page 97.

18 Statistics Canada (2006), "Study: Inequality of Wealth," *The Daily*, December 13, available at www.statscan.ca/Daily/English/061213/d061213c.htm.

19 Bruce Campbell (2006), op. cit

and spending were maintained at 1992 levels, \$103 billion more would have been available for public services.²⁰ Under funding is inevitable as the need for social welfare assistance expands because of increasing inequality, and programme budgets shrink. Coupled with two decades of cuts to social programmes (documented in two previous CCPA *State of Public Services* reports), there has been pressure to find new ways of providing services that are essential and necessary; hence, privatization.

Canadians tend to be divided along economic lines in their opinions about privatization. Business people and mobile professionals, for example, tend to support more privately delivered services, while social service providers and low-income groups want to keep public services in public hands. A large middle ground, however, is dominated by people with lack of knowledge and conditional opinions. Several opinion studies about the role of government demonstrate this pattern.

It is likely the case that most Canadians are comfortable with greater trade and economic ties to the U.S., but there is no doubt that many are adamant about maintaining Canadian independence and cultural autonomy. Similarly, EKOS Research surveys have consistently found that Canadian elites generally do not want an activist government, and rank efforts to clear the way for business (presumably, privatization of public services fits into this category of activities) at the top of their government “to-do” list. The majority of Canadians, on the contrary, show a desire for a strong government

“as an agent to address the problems in our collective life.” Put another way, the majority of Canadians see themselves as citizens wanting community solutions to social questions, “(not) as customers in the private marketplace.”²¹

Thus, privatization is driven from several directions: ideology, government fiscal policy, increasing need for public services, and international treaties. Yet, it is not clear that privatization is the solution to the problems for which it is proposed. At the very least, there should be considerable debate about its potential costs and benefits for all Canadians.

Advocates and Opponents

Advocates of increased private delivery of public services claim that governments have become bureaucratic, technologically behind the times, and overpriced because of labour costs. They say that private companies are more mobile, for example, and, therefore, can respond to specific needs more quickly. Private businesses, it is argued, have the professional expertise and most modern technology because competition in the marketplace forces them to keep up and to perform at optimum levels, unlike government organizations. In some cases, proponents of privatization will also say private business has better access to investment capital than governments and can absorb risks that governments cannot. Most will also contend that government departments should, at a minimum, adopt a business-like model for structuring and evaluating their programme activities. Outside these economic arguments, those who oppose widespread public delivery

20 Ibid.

21 Murray Dobbin (1999) *Ten Tax Myths*, Vancouver: Canadian Centre for Policy Alternatives-BC, page 33.

of services tend to rank individualism above other social and political values, contending that individuals should be responsible for their own welfare.

Those who advocate a strong public presence in society are much more likely to oppose the drift towards privatization. Opponents of privatization, in general terms, contend that all too often when governments turn over services to private contractors, it is more difficult to monitor, manage, and maintain the quality and cost of services. Regarding the issue of lower cost, the most often touted benefit of privatization, there are several considerations that make that claim dubious. In the first instance, and as we show below on private-public partnerships, government-based developments often have lower capital costs because of their generally favourable bond rating status. At the end of the day, privatization may mean a lower nominal cost for a public service. However, it often also means:

- that money is taken, in the form of living wages, from the pockets of the people who actually create and deliver public services, and put it in the pockets of people who manage and own private service delivery organizations in the form of management fees and profits;
- that a different and lower quality 'product' is being delivered;
- that the actual cost has not gone

down for services, but, rather, the form of payment has been changed (from taxes to price/user fees), and often in ways that restrict access for people who need the service.

Similarly, there is no reason to believe that private organizations are inherently more efficiently structured than public organizations—both can be bureaucratic and slow to respond to the needs of citizens. Public bureaucracies, at the very least, have the advantage of being accountable to citizens.

The proponents of privatization tend to be well funded, giving them access to the ways and means of convincing citizens that privatization is a more economic and viable way of delivering public services. As is clearly the case in health care, these public relations campaigns often take the form of a deliberate attempt to diminish the public perception of the effectiveness of the public service so that privatization seems the only alternative.

Outside the financial and economic issues, privatization also shifts the nature of belonging to a community, changing citizens into consumers (or merely taxpayers), and changing public goods (like education and health care) into commodities. In this sense, advocates of public service believe that strong public services enhance social cohesion and solidarity, and foster fairness, equity, and a sense of collective responsibility for individual welfare.²²

22 Louise Tremblay, François Aubry, Christian Jetté and Yves Vaillancourt (2000) "Introduction," in Yves Vaillancourt and Louise Tremblay (eds.) *The Social Economy: Health and Welfare in Four Canadian Provinces*, Black Point, NS: Fernwood Publishing.

Public Service Areas

As in our previous reports, we examine four main public service areas to analyze the nature and level of privatization and its observable results. This documentation and analysis are more a general overview than fully comprehensive. They do provide, however, a clear understanding of what is becoming a strong trend in Manitoba. In each sector of health care, education, municipal services, and social services, we examine some of the key forms of privatization.

Health Care

The public versus private²³ debate in health care should revolve around two main issues. The first is about which items should be included in a “basket” of basic benefits. These are benefits, in accordance with the five principles enunciated in the *Canada Health Act*, that tend to reflect values, held by Canadians, that all citizens are to receive medical services based on their needs and as a right, rather than on their ability to pay. At present, the *Canada Health Act* mandates that consultations and procedures involving licensed physicians and all hospital stays be in this basket. Most provinces, including Manitoba, have added home care, extended care, pharmacare (albeit sometimes limited),

public health, and some community and mental health services to this basket.

Proponents of a public system seek to expand the basket (for example, adding dental care or a national pharmacare programme), while the privateers seek to remove items and make them available only to those who can afford to pay for them directly or through the purchase of private insurance. These items would then cease to be available as a right.

The second focus of the debate is the degree to which the private sector should have a role in delivering, and even financing, the items contained in the basket. The obvious example is the degree to which services inside the public basket are contracted out to private companies. Private-public partnerships (P3s), often used in the construction and management of health facilities, are an example of private financing of health services. User fees, such as so-called deterrent fees charged by hospital emergency departments, also privatize the financing of health services even though they do not contribute to private profits.

There are two strong reasons for vigilance in keeping the basket of services from even more shrinkage, and in keeping private agents out of the public pro-

23 Terms frequently used in the debate are “public sector,” “independent sector,” and “informal sector.” The independent sector includes both the for-profit and the not-for-profit organizations. Whenever the terms “private,” or “private sector,” are used in this report, they refer to the private-for-profit sector. In health care, this nearly always means multinational corporations and, on the American continent, usually U.S. based. In this section, we are not concerned with the not-for-profit sector as a coproducer of health care services with the state. The informal sector in the health context involves any resources available from an individual, or his/her family or friends, in cash (user fees paid directly to the service provider or to a private insurance company) or in kind. In regard to in-kind services generally, the smaller the public sector, the more the informal sector (usually women) has to pick up the burden of care, unaffordable in the marketplace.

vision of services. First, there are a number of stresses and strains on the present healthcare system in Manitoba, all of which, if unattended, enable the privateers to falsely represent themselves as the saviours of the system.

One stressor is the increasing demands on health care. A major source of this increasing demand, largely ignored by the health care system, is the determinants of the health of the population.²⁴ One such determinant is the increasingly toxic physical environment in which we live. Much of this involves the multitude of carcinogenic chemicals used in all areas of our lives, and our chemically dependent agricultural practices, which have dramatically reduced the minerals and vitamins available in our daily diets.²⁵ The privateers are not at all interested in facing this issue. Their profits are derived from sickness, not health.²⁶

A second stressor is increasing healthcare costs. There is no doubt that costs have

risen in the past decade, but those who seek to discredit the public system have exaggerated the level. Between 1992 and 2006, healthcare expenditures in Manitoba, in relation to GDP, have risen less than 1%.²⁷ In fact, the single fastest rising cost is an area of the health care system that is already in private hands: pharmaceuticals. The cost of prescriptions to Manitoba's Pharmacare programme nearly tripled between 1998 and 2004, while the number of prescriptions served rose only 32%.²⁸ If these costs are to be brought under control, it is the public sector that will do so, not the private sector. This is already demonstrated in the use of Reference Based Pricing in British Columbia and other methods of price control.²⁹

The much talked about waiting lists are the third system stressor. This is also a problem that has been exaggerated by the privateers.³⁰ Once again, insofar as wait lists for various diagnostic or treatment procedures are a problem, the pub-

24 A large body of literature exists on the determinants of population health. For a quick reference, see Health Canada's webpage: www.phac-aspc.gc.ca/ph-sp/phdd/determinants/index.html#determinants. Twelve determinants are listed, of which only one is the quality of the health care system itself. Links are also available to the evidence base for the significance of each determinant.

25 Volumes have been written on this subject. One of the more recent and carefully documented is Graham Harvey (2006) *We Want Good Food*, London: Constable and Robinson.

26 Private insurance is a perverse exception. It profits from insuring healthy people, and avoids insuring the sick whenever possible (e.g., so-called "pre-existing condition" exclusion clauses common to most policies). A good discussion of private health insurance is Diana Gibson and Colleen Fuller, (2006) *The Bottom Line*, Edmonton: Parkland Institute.

27 Figure derived from Manitoba Department of Finance (provincial GDP) and Canadian Institute of Health Information (provincial health care expenditures) data.

28 The most recent year for which these figures are available is 2004. Note also that the number of patients served during the period rose only 50%, suggesting that the aging population has little to do with rising drug costs. An "aging population" is often put forward by the privateers as a reason why the public health system is "unsustainable."

29 See for example, Steve Morgan, et.al. (2003) *Pharmaceuticals: Therapeutic Interchange and Pricing Policies*, Winnipeg: Manitoba Centre for Health Policy.

30 See for example, Gordon Guyatt (2004.) "Take waiting list horror stories with a grain of salt," *Winnipeg Free Press*, March 16. Dr. Guyatt is a professor of clinical epidemiology and biostatistics at McMaster University.

lic system has already demonstrated that it can respond effectively. The publicly funded non-profit Mount Carmel Clinic in Winnipeg now guarantees access to primary care within 48 hours, down from five weeks, through a system called Advanced Access. Alberta has reduced waiting times for joint replacement surgery from 46 weeks from the first appointment, to seven weeks.³¹ There are a host of other examples that demonstrate shortened wait lists in the public sector through better systems, without any major capital outlays or increases in operating expenses.³²

Finally, a major problem with the current public system is that too many people do not have easy access to primary care (the first point of contact for a patient, usually delivered by a family physician). While there has been limited privatization of most primary care, drugs, insurance, quick surgeries (e.g., cataract surgery and joint replacement), and automated diagnostic procedures (e.g., CT scans and MRIs) have attracted the most attention from profit-seeking health organizations. Once again, there are illustrations that the public system is able to respond to this difficulty itself. Neighbourhood-based, community-controlled but publicly funded community health clinics have demonstrated their effective-

ness in this regard. Some of their success is attributed to differential use of professionals such as nurse practitioners who play a key role in triage.³³

The second reason for asserting that vigilance is needed to protect the public health care system is that governments are facing a sophisticated campaign to promote privatization. Among the loudest voices are the corporate-funded think tanks, such as the Fraser Institute and Manitoba's Frontier Centre for Public Policy, as well as those who seek to sell healthcare services such as private clinics. Many of these voices came together at a conference held in Vancouver in November, 2005. The conference was misleadingly entitled *Saving Medicare*, but was, in fact, a strategy session on how best to convince the Canadian public to accept privatization in healthcare delivery. A part of their strategy was to find all the negative wait list stories available and ensure they had prominent coverage in the media.³⁴ In addition to these voices, a vocal segment of doctors is constantly advocating for more freedom to open private clinics.³⁵

Faced with cost pressures on the healthcare budget, governments appear to be given a way out by this campaign. They can retire from the healthcare field

31 Personal interview, senior official, Manitoba Department of Health.

32 See for example, Michael Rachlis (2004) *Prescription for Excellence*, Toronto: Harper-Collins Publishers. Roy Romanow (2002) *Building on Values: The Future of Health Care in Canada*, Ottawa: Queen's Printer (also known as *The Romanow Report*) also has several examples of better coordination reducing wait lists.

33 Both Rachlis (ibid.) and Romanow (ibid.) provide evidence of lack of access to primary care. Romanow presented evidence supporting certain criteria for improved primary care, while Rachlis provided descriptions and evaluations of successful community health clinics.

34 Thomas Walkom (2005) "The war on Medicare," *Toronto Star*, November 19.

35 One recent testimony to this is the much-reported court action in Quebec, led by Dr. Jacques Chaoulli and financed by a consortium of private clinics, which sought (successfully) to overturn legal barriers in that province to private health insurance.

bit by bit, and allow privatization by default. The fact that overall healthcare costs (public and private expenditures combined) increase over time, and that quality and access will likely deteriorate for most people, will not concern the politicians because most of a privatized system will not be their headache any more. The ideology of small government and a tax-cutting agenda underlie this drift towards privatized health care.

Our governments will have difficulty in resisting privatization in the face of such pressures unless there is vocal opposition from an informed citizenry. Other provinces and other nations have succumbed to pressure to open their systems to private providers, and the commitment of the new federal government to a publicly funded and delivered health care system is very much in doubt.

Canada has moved less towards privatization of health care than a few other countries, and Manitoba has allowed less privatization than other provinces. However, there are indicators of creeping privatization. We argue that the various forms of privatization in health care do not serve the interests of most Manitobans. It should be noted, however, that because in Manitoba privatization is currently more potential than actual, our criticisms often draw on experiences in other jurisdictions.

Sale of Assets

At time of writing, we have not had an opportunity to study this form of privatization in the healthcare field simply because it has not yet become an issue in Canada. However, the selling off of healthcare assets, such as hospitals, is not inconceivable. The example trumpeted by the privateers is the sale of a hospital in Stockholm, originally to a large pension fund. It was later sold to private-for-profit interests. This process has gone no further in Sweden, but there is not yet evidence in this particular case that would support or not support the sale. However, there is no reason to believe that a private hospital, which began as a public one, would be any different from one that was private from the start. In this regard the U.S. is one of the best laboratories to test the claims of the privateers, because all three sectors live side by side and can be compared. The burden of the research reported in respectable journals is that, in the U.S., the private sector does rather badly on both quality of care and price compared to the non-profit and public sector delivery.³⁶ The first stage of a research project carried out by a McMaster University team in 2002 found a considerably higher avoidable death rate in for-profit hospitals and other medical facilities than in non-profit or public hospitals in the U.S.. In 2004, the same team found that, in addition, the private hospitals averaged 19% higher costs.³⁷

36 For example, see D.U. Himmelstein, et al. (1999) "Quality of care in investor-owned vs. non-profit HMOs," *Journal of the American Medical Association* 282, 2: 159-163; and E.M. Silverman, et. al. (1999) "The association between for-profit hospital ownership and Medicare spending," *New England Journal of Medicine* 336, 11: 769-774.

37 P.J. Devereaux, et al. (2002) "A systematic review and meta analysis of studies comparing mortality rates of private for-profit and private not-for-profit hospitals," *Canadian Medical Association Journal* 166, 11; and P.J. Devereaux, et al. (2004) "Payments for care at private, for-profit and private not-for-profit hospitals: A systematic review and meta analysis," *Canadian Medical Association Journal* 170.

In a similar vein, a recent study of Manitoba personal care homes (PCH)³⁸ sounds some notes of caution. Designed to assess the quality of long-term care in general, the study did find some differences between for-profit and public/not-for-profit PCHs. Not-for-profit PCHs in Winnipeg tend to have higher staff-to-resident ratios, although this result is qualified by the fact that the researchers did not have access to staffing data for all Manitoba PCHs. On the other hand, in terms of what was termed “diagnostic quality” (the extent to which care home residents required hospital admission or needed to see a physician), the rates for this quality indicator were similar across all personal care homes, except for the for-profit facilities in Winnipeg where residents were more likely to require extra physician or hospital care. In simple terms, on this indicator, for-profit facilities performed more poorly than public ones.

Implicit Privatization

Many services and procedures are outside the healthcare basket in that they are not provided by the public system and can be bought by patients who can afford them. Included in this category are services that were only recently removed from the basket, such as children’s dentistry, drug coverage for higher earners, and some eyecare coverage. Although Manitoba’s basket is somewhat comprehensive, there are clearly important items that could be added. The obvious examples are dental care and eye care, but there are a host of others, such as physiotherapy or

athletic therapy. In addition, there are items within the basket that need to be expanded, such as the currently rather limited entitlements to home care.

In Canada, expenditures on health care from private sources are rising faster than those from public sources. In Manitoba, for example, inflation-adjusted per capita expenditures from private sources rose from 22.3% of total health expenditures in 1992 to nearly 28% in 2005.³⁹ Clearly, an increasing number of healthcare services are being purchased outside the basket. The rising cost of prescription drugs, some always outside the basket and others recently placed there by cost-cutting governments, is one explanation for this expenditure change. It is possible that increasing private expenditures on home care and extended care are also a factor, but the hard evidence is not yet available.

Another threat to the existing basket is the campaign promoting so-called “parallel” services, otherwise known as the “third way.” A defining element of a parallel system is that physicians work simultaneously in the public and private sectors. At present, all provinces except Newfoundland prohibit doctors from working in both systems, and many, including Manitoba, do not allow doctors to bill both the public and the private system for the same procedure. Abolition of one or both of these strictures, as recently proposed in Alberta, would allow for the “parallel” system to emerge.

Central to the justification of such a system is the claim that wealthier patients could purchase private insurance and be

38 R.J. Currie and C. De Coster (2006) “Assessing Manitoba’s nursing homes: Is good good enough?” Winnipeg: Manitoba Centre for Health Policy, University of Manitoba.

39 Canadian Institute for Health Information (CIHI) (2005) *National Health Expenditure Trends*, Ottawa: CIHI.

treated privately, thereby shortening wait lists and generally taking pressure off the public system. Extensive research exposes the falsehood of such claims. The extent to which doctors and other healthcare professionals move to the private system is the extent to which they are not available in the public system, which is thereby weakened. For example, an evaluation of cataract surgeries in Manitoba, when these were performed in both systems, showed a lengthening of wait lists,⁴⁰ as did a major study in Australia where the parallel system is widespread.⁴¹ The “third way” takes resources out of the delivery system, thereby impairing the ability of the public system to deliver the basket, which has the same effect as taking items out of the basket.

A less obvious reason for the “parallel” system’s negative effect on Medicare is that many of the procedures for which patients wait are diagnostic. When these procedures are delivered privately, the queue is, in the first instance, jumped for the diagnostic procedure itself. But, if diagnosis reveals the need for further investigation and/or treatment, the privately paying patient also moves ahead of others in the public system who have not yet had the diagnostic procedure. The wait list for the follow-up in the public system is again increased.

Finally, a major concern raised in the U.K., held up by proponents as a parallel system success story, is the estimated

20% failed procedures in the private sector (mostly what should be routine hip and knee replacements), which then have to be picked up by the public sector. This puts the issue of quality in for-profit health care under the spotlight. The main issue, however, is that such occurrences place extra strains on the public system, the opposite of the relief the private sector is supposed to provide for the latter.⁴²

User Fees

User fees take a number of forms in health care. They include direct payment by patients at the point of service for the total, or a portion of, the cost. The latter includes deductibles (patient pays up to a certain annual amount) and co-payments (patient pays a percentage of the cost, after deductibles, if applicable). User fees also include premiums paid to an insurance scheme, either voluntary, as with private insurance, or compulsory, as in the Alberta and B.C. public schemes. Everything outside the basket is, of course, financed entirely by user fees, but there is pressure to expand the fees for services inside the basket as well. At present, most of the basket of care in Manitoba is covered totally out of general revenues. Major exceptions are user fees in the form of a sliding-scale deductible for prescription drugs, and co-payments based on ability to pay for extended (nursing home) care.

Privatization proponents argue that user fees have two main benefits for the

40 C.L. DeCoster, Leonard MacWilliam and Randy Walld (2002) *Waiting Times for Surgery: 1997/98 and 1998/99 Update*, Winnipeg: Manitoba Centre for Health Policy and Evaluation.

41 J. Hurley, et al. (2001) *Parallel Private Health Insurance in Australia: A Cautionary Tale and Lessons for Canada*, (Policy Analysis Working Paper No. 01-12) Hamilton: McMaster University, Centre for Health Economics.

42 Sarah Bosely (2006) “Private hip operation errors,” *Guardian Weekly*, March 17-13.

health care system. First, they claim, such fees provide extra revenue for the system. Second, they claim that efficiency is enhanced because user fees act as a deterrent to careless use of the system by patients.

User fees as insurance scheme premiums do not appear to be beneficial. One problem with premiums in public schemes is that they are usually a flat rate, violating a central principle of Canada's taxation system: ability to pay. This kind of user fee is really just a flat tax. Much worse, in private schemes, people considered higher risk either can't get coverage at all, or they pay exponentially higher premiums than others (the young, healthy, and wealthy), thus penalizing, sometimes prohibitively, the sick—the very contingency for which insurance is sought and (presumably) sold.

User fees charged at the point of service are even more problematic. First, the revenues generated are offset, in whole or in part, by the costs of collection. Second, we know user fees have a perverse effect. "Abuse" of the system by patients has always been more myth than reality.⁴³ User fees indeed have a deterrent effect. However, it is most often not the desired one. Studies show that only low-income people are deterred from accessing physician or hospital services, and they are nearly always those most in need.⁴⁴ It is difficult to justify user fees as an alternative, or even supplement to, a system financed out of general revenues. Even in the case of the wealthy, as long as they are taxed in proportion to

their wealth, there is no justification for double taxing in the form of user fees.

Contracting Out

In Canada, this is the most common form of privatization. A few years ago, the promoters of private health care were arguing for a totally private system—privately provided and privately funded. Canadians were skeptical. The "parallel" system was invented to allay these fears, as was a greater emphasis on contracting out. In this latter instance, the public sector funds the services and the private sector supposedly delivers. Manitoba, along with most of the rest of Canada, has not yet moved very far down this road. Laboratory services are performed privately in Manitoba. But hospital-based procedures, such as MRIs, are not contracted out in Manitoba, nor are "day" surgeries such as joint replacements or cataract surgery, although contracting of these is under very active consideration in some other provinces.

Several efforts to contract out services in Manitoba by previous governments have, in fact, been widely discredited and should make the public very cautious about further attempts. For example, Home Care services were contracted out on a limited basis in Winnipeg in 1997. Very early in this 'experiment,' the then Minister of Health backed down from claims that quality would be improved and that there would be a savings of \$10 million a year. It finally transpired that, indeed, there would be neither any sav-

43 Noralou Roos, Evelyn Forget, Randy Walld and Leonard MacWilliam (2004) "Does universal comprehensive insurance encourage unnecessary use? The evidence from Manitoba says no," *Canadian Medical Association Journal* 170, 2.

44 R.G. Beck, and J.M. Horne (1980) "Utilization of publicly insured public health services in Saskatchewan, before, during and after co-payment," *Medical Care* 18.

ings nor any improvement in quality.⁴⁵ It also came to light that Olsten, the U.S.-based, multinational contractor, had a dubious record in its home country. It was, at the time, and had been in the past, the subject of a number of criminal investigations for false billings, failure to carry out the plan of care, and overselling services to vulnerable patients. Because all these past actions had been settled out of court, Olsten was able to say that it had never been convicted.

In 1996 the Coalition to Save Homecare, composed of concerned Manitoba citizens, was formed in response to the provincial government's discussions about privatizing the home care system. The fear of privatization of home care services for people with disabilities was very real. There was concern that the quality of service would suffer due to the lack of a central body of accountability. Fortunately, even the Conservative government, although ideologically committed to contracting out, discontinued the experiment because its flaws were all too obvious.

In Canada and Manitoba, however, the most frequent contracting out is not so much in core medical services as in ancillary services such as food, laundry, security, and cleaning. In Manitoba, a large food-preparation service for all but the two major hospitals is in effect, and cafeteria services for non-patients and staff have been contracted out in St. Boniface Hospital. Laundry services are contracted in the Interlake region.

Even in the case of ancillary services, the claims of the privateers do not hold up to scrutiny. Both Misericordia and Concordia hospitals have recently terminated food-service contracts over issues of quality (serving day-old sandwiches, for example) and poor management. At St. Boniface, staff formerly paid about \$2.00 for breakfast, while now they pay an on-site Tim Hortons franchise about \$8.00.⁴⁶

But the most notorious discredited contract in Manitoba has been the "frozen food" contract made by a consortium of hospitals (Urban Shared Services Corporation, USSC) with the huge U.S.-based multinational, Aramark. Instead of continuing to prepare food in-house for each hospital in Winnipeg, food was to be trucked from Ontario to a centralized facility in Winnipeg, where it would receive further processing (mainly being thawed out) before being transported to each hospital. How anyone imagined that bringing food from Ontario, to be assembled in a facility yet to be built, trucked again to each hospital, and finally warmed over before delivery to each patient would improve quality and price beggars belief.

Aramark, incidentally, further profited at the taxpayer's expense by winning a contract to provide "consulting and management services" for the whole project. A \$32 million cost saving over the 20-year contract was claimed. In the first year of operation, costs were already \$2.5 million more than projected, despite lost jobs

45 Other commentators confirmed this, as well as the record of the contractor in the USA. See, for example, Philippe Cyrenne (1999) *Analysing Shared Service Contracts: The Case of Food Services for Winnipeg Hospitals*, Winnipeg: CCPA-MB; and Jim Silver (2000) *The Cost of Privatization: Olsten Corporation and the Crisis in American For-Profit Home Care*, Winnipeg: CCPA-MB.

46 Personal interview, emergency ward nurse, May 2006.

predicted by Statistics Canada to be around 350 two years into the contract, and despite the fact that the two largest hospitals were not yet participating (and never did). In the first year of operation, USSC reported nearly 700 patient complaints about the quality of the food, and patients in one hospital lost between one and 23 kilograms in weight in the first month of operation.⁴⁷

Another, and little known, contract for ancillary healthcare services in Manitoba was Smart Health. Begun in 1995, this contract was signed with the Royal Bank to provide information technology services. The Royal Bank shortly thereafter sold the enterprise and the contract to a Texas-based company. In 2000, the plug was pulled on the contract after a review by the accounting firm Deloitte & Touche found that the project was poorly managed and had delivered a “low return.” This was a euphemism for saying that \$30 million had been swallowed up by the contractor with almost nothing produced by the time the contract was terminated.

There is extensive experience with contracting out in the UK since the introduction of Compulsory Competitive Tendering in 1983. The compulsory part was abandoned in 2001, due to well-documented concerns over contractors’ low wages and high staff turnover, as well as, most disturbingly, significant in-

creases in the incidence of infections incurred during hospital stays.⁴⁸ Such findings make the term “ancillary services” a bit suspect. On the contrary, cleaning and food services (carried out by the lowest paid health workers) appear to be rather central to patient health and should not be so lightly hived off to the private sector. Moreover, also in the UK, claimed cost savings from using cheaper labour, even if they were true, were found to be more than offset by the high cost of overseeing contracts.

Deregulation

A serious and immediate concern is the weakening of the federal government’s ability to assess product safety. Many consumer products affect our health, both directly (e.g. pharmaceuticals) and indirectly (e.g. pesticides and herbicides). This erosion of regulatory controls has occurred over time, and involves two parallel shifts. One is a change in the “culture” of the regulatory agencies. In recent years, government regulators have been urged to regard the product safety applicants as “valued customers” on whose behalf the service is being rendered, as opposed to working primarily on behalf of the citizenry. One consequence of this has been “fast tracking” applications. The other change has been cutting back the staff and budgets required to do the job effectively. As a result, regulators now tend to rely on data

47 See Philippe Cyrenne (op. cit.). By way of an update, the present government has engineered one change in that most of the food is no longer trucked from Ontario.

48 This has been well documented in a series of reports by the Department of Health (for example, Department of Health, UK (2001) “National standards of cleanliness for the NHS,” (April) and Department of Health, UK (2004) “Revised guidelines on contracting for cleaning,” (December)) ; as well as by workers (for example, in Unison (2005) “Cleaners voices: Interviews with hospital cleaning staff” (London: Unison)). Similar difficulties were discovered through research into B.C.’s contracting to for-profit providers in health care (see Jane Stinson, Nancy Pollak and Marcy Cohen (2005) *The Pains of Privatization*, Vancouver: Canadian Centre for Policy Alternatives-BC).

provided by the companies themselves, rather than data generated by regulatory agencies. This is the case particularly with the pharmaceutical industry, where, as it currently stands, the quality, safety, and effectiveness of pharmaceuticals cannot be assured by any tax-supported regulatory agency.

Another example of the pressure to deregulate is the ongoing petitioning of the Canadian Radio and Television Commission by the corporate media, led in this case by Manitoba's CanWest Global, to rescind the prohibition against advertising of prescription drugs directly to the "consumer." Research has found that such advertising leads to patient ("consumers" in the eyes of advertisers and drug manufacturers) pressure on physicians to prescribe specific medication. Sales are boosted, not as a function of the efficacy or safety of the drug, but as a function of skilful marketing.⁴⁹ Prescribing and over-prescribing of costly brand-name drugs has been one of the upward cost pressures on health care.

Private-Sector Values and Public-Sector Services

During healthcare debates at the University of Winnipeg in two successive years, the Frontier Institute representative pressed the merits of medical savings ac-

counts (MSAs) at every opportunity. These were also praised in the privatization-leaning Mazankowski and Kirby reports.⁵⁰ MSAs are a proposed system wherein the government gives each person a sum of money each year to spend on health care as s/he sees fit. Any surplus from not spending that allowance is kept by the individual. If an individual needs more healthcare funds than are allotted, they must pay from their own means, except for "catastrophic" cost insurance included in some variations of the scheme. This method of financing health care introduces competition from the private sector to health care. In theory, "providers" (which are largely for-profit firms) compete for the "consumers" health dollars. The privateers market this proposal using the seductive language of "consumer empowerment" and "choice." Studies that have actually bothered to do the arithmetic on the several variations of MSAs, including one completed in Manitoba, have shown that MSAs are unsustainable because they place huge amounts of healthcare dollars at the disposal of the healthy, leaving commensurately less for the care of the sick. The Manitoba study concludes: "No formulation will save the province money unless it imposes heavy taxes on the sickest individuals, or sets the entitlement so low as to, in effect, eliminate insurance coverage."⁵¹ Once again, it appears that pro-

49 See B. Mintzes, et. al. (2003) "How does direct consumer advertising (DTCA) Affect Prescribing? A survey in primary care environments with and without legal DTCA," *Canadian Medical Association Journal* 169; and National Institute for Health Care Management, Research and Education Foundation (2001) *Prescription Drugs And Mass Media Advertising*, Washington, DC: National Institute for Health Care Management.

50 Alberta (2002) *A Framework for Reform*, Edmonton: Alberta Advisory Council on Health (also known as the *Mazankowski Report* from the chair of the committee, Don Mazankowski); and Canada (2002). *Recommendations for Reform*, volume six of *The Health of Canadians*, Ottawa: Standing Senate Committee on Social Affairs, Science and Technology (also known as the *Kirby Report* after committee chairman Senator Michael Kirby).

51 Evelyn Forget, Raisa Deber and Leslie Roos (2002) "Medical savings accounts: Will they reduce costs?" *Canadian Medical Association Journal* 167, 2.

posals of this kind are designed solely in order to open the doors into health care delivery for the private sector, rather than to improve health care.

In the United Kingdom, where a similar 'internal competition' has been implemented, it is difficult to find evidence that it has been beneficial to patients, while there is plenty to the contrary. Implementation relies heavily on the development of Performance Indicators (PIs) that often do not measure what they claim and/or they lead to service perversions. An example of the former is wait lists in hospital emergency departments. Long wait lists were a black mark against hospitals, but the problem, in some instances, was found to be the lack of access to primary care within a region or particular population. Another example was 'hallway medicine,' where the hospital was faulted for having too many people waiting for beds, when the problem was found to be, at least in part, the lack of discharge alternatives for patients already in beds. In both cases a hospital can appear "uncompetitive" for reasons that are out of its control. An example of how such measurements lead to perversions in services involved hospital death rates. Those with the lowest death rates were considered the most effective and, therefore, more worthy of funding from the National Health Service. It was later found that

these hospitals were sending patients who needed palliative care home to die in order to reduce their death rate. Some of the evidence on PIs and other derivatives of the market ideology, such as merit pay, suggest that they divert energies into looking good rather than actually being good.⁵²

Private Public Partnerships

This form of privatization (P3) has not yet been used in Manitoba, but is emerging in other provinces, mostly for constructing hospitals. Ontario signed a P3 agreement for hospital construction in Brampton and in Ottawa. British Columbia is planning one for Vancouver, despite abandoning a similar plan for Abbotsford. The Newfoundland and Alberta governments continue to pursue the idea despite abandoning earlier P3 projects in healthcare facilities.

This flirtation with P3s, and the ever-present possibility that Manitoba will climb aboard the bandwagon, begs for analysis and critique. For purposes of this report, we look no further than a recent report that examined 100 P3s.⁵³ Thirty-four of the case studies were Canadian. The majority of the rest were from the United Kingdom. Thirty of the case studies were in health care, and 24 of these involved capital financing of hospitals.

52 These comments are based on the author's recollection of numerous media reports in the United Kingdom during 1994-95 when the debate on 'internal markets' was at its height, and where the author was resident at the time. The author also studied PIs in connection with post-secondary education in Canada (see University of Manitoba and University of Manitoba Faculty Association (2000) *Joint Committee Report on Performance Indicators*, unpublished, April 26.) The fact is that there is very little empirically based research on the subject of PIs, and for the most part, the subject has died a natural death, as it did in the University of Manitoba, precisely because of the obvious flaws. The privateers continue to press the case for internal markets, however, including those that require heavy use of PIs, because they open up any public system to private delivery.

53 Natalie Mahra, (March 2005) *Flawed, Failed, Abandoned*, Toronto: Ontario Health Coalition, available at www.ontariohealthcoalition.ca.

For all P3s, including ones involving health care, the study found:

While P3 proponents claim that projects come in “on time” and “in budget”, the evidence does not bear out these assertions. Many projects are late and serious cost overruns are frequent. The bifurcation of management or ownership of public services entailed in these deals leads to serious conflicts of interest between corporations that seek to maximize profits and public services that seek to meet community needs and contain budgets, leading to costly legal disputes and quality issues. Moreover, in the negotiation of P3 deals, the public sector has not been able to achieve P3 proponents’ claims of value for money or risk transfer.⁵⁴

Ontario has signed a P3 deal to pay \$10.35 per day per long-term care bed financed by the private sector. The effect is that the public purse will spend \$900 million for beds that will be owned by the private sector after the 20-year life of the agreement—just as the crest of the baby boomers reach 80. Both the Brampton and Ottawa P3s have seen huge price increases in lease agreements and in capital costs (in Brampton, \$174 million more than if financed by government). Both have seen reductions in the number of promised beds, and both have been shrouded in secrecy, as has been the case with the Vancouver negotiations. Very similar flaws were found in the international case studies with the addition of nightmarish design and construction problems (even to the point of ceilings collapsing in one case). The study presents a depressing litany of cost

overruns, delays, construction flaws, quality problems, legal disputes, failed contracts, and service cuts.

The hazards of P3s are so well documented that the only possible explanation as to why governments would continue to pursue them (apart from the corporate lobby and its false claims) is that avoiding debt has become an eleventh commandment.

Luxury Care for a Few

The most neutral language that can be used to compare a publicly funded and administered healthcare system with one that is largely privatized is that the former provides good basic care for all, and the latter provides luxury care for a few. Moreover, the latter costs the public and private purse combined about 50% more than the former. The lead researcher of the McMaster University studies, Dr. Devereaux, was less kind to the privateers in his summary when he said: “With for-profit care, you end up paying with your money and your life.”⁵⁵

Bob Evans, a noted health economist, calls the ideas of the privateers “zombies” because, although the scientific evidence keeps killing them, they keep coming back to life. Evans notes, as have we in this report, that the ideas of the privateers tend to disadvantage the poor and the sick, while they benefit the wealthy, the healthy, and those seeking to sell health services. So it is not surprising that the zombies are so resilient. “They will always be brought back because of whom they serve.”⁵⁶ Our more efficient, effec-

54 *ibid.*, page 4.

55 P.J. Devereaux (2002), *op. cit.*

56 Cited in M. Rachlis *op.cit.*, page 296.

tive, and equitable publicly funded and delivered system was born in struggle. The fight will need to be continued in order to maintain and improve it.

Education

The Government of Manitoba administers its educational responsibilities through three ministerial departments: Education, Citizenship and Youth, which oversees the K-12 public school system, Advanced Education and Literacy, which addresses post-secondary education. A third department, Competitiveness, Training and Trade, is now responsible for training, which was previously administered under the banner of post-secondary education. Each department is susceptible to the machinations of local critics of public education who claim that market forces are necessary to bring about greater efficiency and more accountability to their operations. "Public education is threatened when it faces cuts in resources that make the system less able to meet the needs of students and communities. But it is also threatened when ideological preference for market competition distracts it into profit-seeking rather than focusing on the needs of the students in its classrooms."⁵⁷

For the moment at least, the Manitoba public does not seem to have an appetite for a political agenda that gives priority to increased privatization of education in the province. That may change, however, with a different government or from the other pressures on governments discussed earlier in this report. Another government may favour privatization in one or several forms: increased funding for private schools; efforts to dis-

credit the public education system through a return to increased standardized testing; and cutbacks to funding of core programmes such as music and physical education (as a way to make up for general provincial tax cuts).

Early in its first mandate, the present NDP government blocked the incursion of corporate interests who sought to deliver television programming (including advertising) to high school classrooms in exchange for free technology. It also reined in the entrepreneurial activities of a few school division administrators who appeared to be using a provincial provision for adult education funding for personal gain. These actions appeared to signal the government's commitment to preventing widespread privatization of public schooling in Manitoba.

Yet, as with healthcare, under funding of education is creating pressure for which privatization can be seen as an antidote. Equality of access to appropriate education programming for Manitoba's students will continue to deteriorate until the provincial government shifts a much greater share of the direct funding of education services from local school divisions back to the province, and imposes school division amalgamations on divisions that are unable to meet a minimal capacity for service delivery. This deterioration is particularly true for rural and northern school children, and children with special needs throughout the province. The scope and depth of this problem is not easily assessed because Manitoba, alone among Canadian provinces, does not have program indicators that provide data to describe in measurable terms, trends such as this.

57 Larry Kuehn (2002) "B.C. government promotes privatization and a market approach to education," *Teacher* (November/December).

Current underfunding has also intensified debate over how taxation should be collected and earmarked for education. One proposition is that locally generated property taxes should be eliminated and replaced with a provincial levy on property that is applied to the province's general operating fund. In this way, funding of K-12 education would be delinked from property taxes by being funded from the province's general operating fund. Another proposition views school division tax collection as essential to local control and input to schools. While this link makes the funding of public schools very vulnerable to taxpayer discontent and creates some difficulties, particularly for rural and northern communities, it is worth preserving the community relationship.

At the same time, it is difficult to say how public education will be treated in international trade negotiations connected to the General Agreement on Trade in Services (GATS) protocol of the World Trade Organization (WTO). The GATS agreement calls on member nations to make offers that spell out which parts of its service sector are available to private offshore investment. In its most recent offer to GATS in 2005, Canada repeated that "public education" was not open to global market forces. According to the GATS, however, all that is needed to test that assertion is for a single foreign corporation to convince its country's trade officials that a challenge of the Canadian position might lead to enhanced trade opportunities.

Heather-jane Robertson recently tied the issue of Public Private Partnerships in education to the GATS, noting that the only government services truly exempted from the application of GATS rules would be those services provided exclusively by the public sector for public benefit.⁵⁸ The escalation of the private sector's role in education represented by P3s could well tip this balance. She notes that even without P3 schools, education increasingly fails to meet this criterion as the private sector nibbles at its edges.

Public universities in Manitoba are increasingly more active recruiters of foreign students, an activity central to the GATS definition of a trade transaction in education. Such university market activity has the potential to undermine the Canadian GATS restriction to keep public education closed to foreign private interests. It would, therefore, be prudent for the Manitoba government to clarify how it defines public education, particularly in the post-secondary sector where it is most vulnerable.

Thus, there are a number of ways in which the delivery of public education in Manitoba continues to be compromised by the forces of privatization. Some of these methods are transparent and obvious, but many are not. To use the words of a US researcher, education has been subjected to a relentless campaign of "selling *to* schools, selling *in* schools, and ... the selling *of* schools and of education as a marketable commodity."⁵⁹

58 Heather-jane Robertson (2003), "Why P3 schools are D4 schools or how private-public partnerships lead to disillusionment, dirty dealings and debt," in sylvia fuller (ed.), *Assessing the Record of Public-Private Partnerships*, Vancouver: Canadian Centre for Policy Alternatives-BC, pages 12-13.

59 Molnar, cited in CFT/CCPA (2006), op. cit, page 4, emphasis in the original.

Education for Sale: Private Schools

About 12,000 students attend just over 100 private Kindergarten to grade 12 schools in Manitoba. The majority attend institutions affiliated with the Manitoba Federation of Independent Schools, an influential organization whose member institutions are presently receiving public funding at a rate of about half of the per capita subsidy provided to the public schools by the province. Although the current government promised not to increase public financing to private schools, operating support has increased from \$34.7 million in 2000 to \$43.1 million in 2005. Since 1990–91, direct funding and shared service payments from government to private schools has risen by 162.8%.⁶⁰ Lobbyists for increased funding to private schools argue that their schools are owed this funding because all property owners pay property taxes. The de-linking of property taxes from school funding and the funding of public schools from the province's general operating funds would provide some immunity to this argument.

Apart from whatever market exists among the largely middle-class customers who use Sylvan Learning Centres to tutor their children, there is no sign of any looming transnational corporate presence in the K-12 sector. However, public demand for such tutoring services will increase as access to the special resources of a good public system diminishes.

Privatization by Attrition

Schools represent a huge investment and profit opportunity for private businesses. As schools struggle to cope with limited funding and increased costs, they are drawn into a web of commercialization in order to fulfill their duty to our children. Throughout Manitoba and Canada, educators are hard pressed to refuse the offers of private businesses rather than see their students "go without."

A 2006 report shows some trends in the commercialization of schools that are of concern. While the study combines all three prairie provinces, its results are applicable to Manitoba. In several areas, the prairies show higher levels of commercialization than for Canada as a whole:

- advertising space sold to corporations (12.7% in prairies versus 8.2% of Canadian schools)
- cola contracts (for Coca-Cola, 25.7% versus 16.4%)
- corporate-sponsored education materials (64% versus 54.4%). One of the issues raised by this practise is copyright and ownership of teaching resources, which, historically and 'naturally,' teachers have shared among themselves. With the advent of corporate-produced and -sponsored material, this traditional practise could come under question.⁶¹
- corporate-sponsored incentive programmes, which encourage

60 Manitoba Education, Citizenship and Youth, *Annual FRAME Reports* (1999-2000 and 2004-2005) Winnipeg: Department of Education, Citizenship and Youth. In 1990 private schools in Manitoba received \$16.4 million from the province (Manitoba Education (1991) *Annual Report, 1990-1991*, Winnipeg: Department of Education).

61 cf. Larry Kuehn, op.cit.

students, teachers, and parents to buy or use a company's products in exchange for cash, school materials or equipment (for the "Yes" programme, 35.4% versus 29.5%; Campbell's soup label, 30% versus 20.5%; grocery store receipts, 3% versus 8%)

- having charitable tax numbers (52.6% versus 35.7%)⁶²

The study also exposed a number of consequences for public education reliance on private funding sources:

- inequity. Schools and their surrounding communities have varying ability to fundraise. Wealthier neighbourhoods raise much more money, thus increasing the inequities in the learning opportunities for children from high- and low-income families.
- funding that is unstable, or comes with strings attached
- lack of educational quality control
- child health concerns. In BC, for example, 27% of schools have an exclusive marketing arrangement with Coke or Pepsi. This figure is consistent with the national one.

User fees have also become a normal part of school funding. Seventy-nine percent of Canadian schools charge students/parents directly for various elements of their schooling. For the prairies, in all but one category, our schools more often charge user fees than for Canada as a whole:

- supplies, 42% versus 33.6%

- programmes, 41.2% versus 20%
- trips, 70.3% versus 66.9%
- teams, 33.8% versus 24.2%
- clubs, 20.1% versus 12.4%
- other, 9.1% versus 13.3%⁶³

And all Canadian schools do significant levels of fundraising. Too often, these funds are used for basic necessities like supplies and textbooks. As well, 92% of teachers spent an average of \$344 each in the 2004-05 school year (\$90 million nationally) of their own money to buy classroom materials and on class-related activities (food, drinks, school supplies, books) for their students. In fundraising for library books, 42.5% of prairie schools versus 49.4% of Canadian schools fundraise to buy books for school libraries. In Manitoba, revenue from private organizations and individuals is significant. While the amounts vary dramatically from division to division and among schools, between 1995 and 2005 this fundraising rose from \$12.4 million to \$16.1 million.⁶⁴

In addition, schools can be subjected to a less obvious form of privatization in the commercialization and the imposition of a market ideology on curricula. For example, an Ontario Department of Education decision, described by Robertson, added 'money management' to the high school curriculum. This curriculum taught students that 'in the future' all Canadian health care would be private, that there would be no more public pensions, and that everyone would pay for their own education. Students were en-

62 CFT/CCPA (2006), op. cit, Appendix 1.

63 Ibid.

64 Manitoba Education, *Annual FRAME Reports* (1995/1996 and 2005/2006) Winnipeg: Department of Education, Citizenship and Youth.

couraged to start investing early in the stock market in preparation for this new environment. A disturbing aspect of this move was the degree to which those teachers involved did not challenge the lesson plans.⁶⁵

Another issue for the K-12 system is recruiting foreign students. While there are humanitarian, cultural, and pedagogical benefits of having non-Manitobans in classrooms, they are often used as a money-maker for the system. In B.C., for example, in 2000-01, school districts charged an average \$10,000 per student but spent \$5000 on each of those students, for a profit of \$5000 per foreign student.⁶⁶

Selling University Education

The commodification of Canadian education institutions in the global marketplace has all but erased the notion that international student exchanges should be valued in terms of cultural enrichment or international development. This redefinition has been promoted by international trade bodies like the World Trade Organization through its call for the "liberalization of services." No service sector in Canada is more exposed to this danger at the present time than post-secondary education. Since 1995, when the federal government stopped contributing operational funds, public universities have been pushed into the rapidly expanding international education market to make up the shortfall. It is also true that because Canadian universities are well respected in the academic world, the ease of exploitation has tended to pull them into the global market. Thus, international students, for example, have become trade items, to be recruited as

commercial commodities. As attractive as it may appear to be for public universities, a host of problems arise from this kind of market participation.

The liberalization of post-secondary education carries the expectation that governments make room in their jurisdiction for the provision of private service delivery, a development that introduces new corporate models of university governance and institutional structure that are very much at odds with the traditional public university in Canada. This poses a major problem for neo-liberals because the integrity of university education in Canada has placed great emphasis on the structural arrangements inside universities. The neo-liberal solution to this challenge is to establish a new mechanism to determine academic credibility, one that ignores structural questions in favour of market oriented performance indicators. The Council of Education Ministers in Canada (CMEC) is presently developing what it anticipates will become a national protocol.

Manitoba post-secondary education policy since 1997 has anticipated the emergence of market forces on education services, but this has muddied the conception of what it means to be a public university. For those who accept the inevitability of a world dominated by global corporate capital, current post-secondary education policy represents the application of good common sense. However, academic principles are being challenged by these changes, which could undermine the authority and credibility of the post-secondary educational system in the province.

65 Heather-jane Robertson, op. cit

66 Larry Kuehn, op. cit

The increasing encroachment on public university research by corporate interests is distressing in this respect. The Olivieri case at the University of Toronto is probably the most infamous Canadian example of the dangers associated with business-directed research. In this case, Dr. Olivieri discovered that the drug produced by her corporate funder posed a public danger, but she was prevented from publishing her findings. The contract between a public university and a private interest became untenable when its terms violated the public interest. If not for the tenacity of the professor, the findings in this case might still be unknown to the public.

Increasingly, government has sought to tie public grants to researchers' ability to generate private resources. No doubt the strategy is cost effective. It is, however, bound to have an impact on what gets studied, how it is examined, and how findings get reported. In the end, the integrity and autonomy of the university are compromised. And, given that corporations are not likely to abandon the practice of tying their financial contributions to specific kinds of research, the only way to combat the growing corporate influence in the universities is to inject more public money into research.

Universities are also developing separate institutional means to allow them to associate with the private sector more freely. For example, 'Smartpark' is a subsidiary corporation established by the University of Manitoba in the late 1990s.

The mandate of Smartpark is to lease campus land and buildings to research-oriented businesses. Viewed from the standpoint of capital growth and job creation, Smartpark is a success. The complex has grown to seven buildings and presently employs over eight hundred workers.⁶⁷

The project has not come without cost to the university, however. In 2002, researchers at the University of Manitoba were granted money by the Social Science and Humanities Research Council of Canada to make a documentary about the introduction of Genetically Modified Crops (GMCs) to the west, and how these were being received by rural Canadians. The film proved to be very critical of the dominant supplier of GMOs, the American biotechnology giant, Monsanto. U of M officials tried to stop the release of the film, *Seeds of Change*. Considering that the university announced that Monsanto was moving its Canadian operations headquarters to Smartpark soon after, it appears there was a commercial motive to their objections to the film.⁶⁸

It seems trite to say that public universities must be accessible to all eligible citizens, and this includes the expectation that their degree programmes are affordable. The financial burden of getting a university degree has become so great that it is a deterrent to enrolment and completion. Universities are no different from any other public institution; they must promote social justice and there can be none of that in the absence of a commitment to accessibility. A similar fund-

67 Manitoba, "Federal-Provincial Partnership Funding Announced for University of Manitoba SMARTpark Project." News Release, 15 October 1999. <http://www.gov.mb.ca/ia/edpa/uofmanitoba.html>. Note also, Martin Cash, "Smartpark constructing 7th building at Uof M," *Media Centr*, Canadian Manufacturers and Exporters, 22 April 2005. <http://www.cme-mec.ca/mb/media.asp?id=442>.

68 Jim Sanders, "Monsanto, Lawyers, Lies and Videotape," *Canadian Dimension*. September/October 2005.

ing obligation exists if government is serious about promoting quality programming at public universities. The recruitment and retention of full-time faculty, manageable class size, adequate library complement, sufficient teaching and research resources, maintenance of capital infrastructure, and all the other ingredients that are necessary for provisioning superior quality institutions of higher learning must be present. It is the responsibility of government to devise policy that will establish the conditions in which the pursuit of knowledge and truth, student accessibility, and institutional quality are enhanced without impinging on university autonomy.

Market Models for University Governance

University autonomy is sometimes difficult for governments. While they may recognize some forms of academic autonomy, governments have a propensity to make the claim that they are entitled to interfere in the traditional decision making process of the universities on the grounds that they are the largest source of financial support. University administrators and boards of governors (which, in Manitoba, are generally dominated by government appointees) are usually inclined to bend to government desire. The internal university structure is not constructed in the same bureaucratic fashion as other corporate institutions, however. The university has a bicameral structure, in which the board of governors has responsibility for operations, and the senate (the majority of whom are academics) has authority over matters of programming. The collegial structure of a senate is meant to ensure that academic considerations will take precedence over all else. Critics charge that this power,

coupled with their unionization, gives faculty far too much influence in university affairs, leading to gross inefficiencies of time and resources.

Over the past two decades, in Manitoba and elsewhere in Canada, there has been criticism of tenure for professors as a structural deficiency that is said to serve little purpose beyond protecting their sinecures. The dawning of the new globalized knowledge economy has been sufficient reason to encourage reform, but the 1995 strike by academics at the University of Manitoba served to confirm that need from the perspective of the government of the day. That was the context that brought about the *Council on Post-Secondary Education Act* (COPSE) in 1997. Its mandate (see section 3.1 of the *Act*) is: “to plan and co-ordinate the development of a post-secondary education system in the province that promotes excellence in and accessibility to education, supports the co-ordination and integration of services and facilities, and promotes fiscal responsibility.”

COPSE was established as a department secretariat having a quasi-independent relationship with government through a citizen council (that it appointed) to decide which new programmes should receive funding. But the Council was also empowered to impose institutional performance indicators. Faculty associations and student organizations in Manitoba launched a campaign to remove the offending clauses, all to no avail, of course, because that would have defeated the very purpose of the COPSE legislation—to erode the autonomy of public universities. COPSE has not attempted to use this latter authority, but the very existence of that power has continued to strain relations between government and academic unions in the province.

The new body was initially established to deal with two types of institutions: the four public universities (Brandon, Manitoba, St. Boniface, and Winnipeg) and the three public colleges (Assiniboine, Keewatin, and Red River). The following year, six, independent, faith-based colleges/universities (Steinbach Bible, Providence, William and Catherine Booth, Canadian Mennonite Bible, Concord, and Menno Simons) were brought under the COPSE umbrella, justified on the grounds that each received a small per capita government grant but also to stimulate greater coordination in post-secondary education. By 1999, the latter three colleges had been amalgamated through legislation to become the Canadian Mennonite University.

The state restructuring of university governance associated with the coordination of post-secondary education, a key objective of the COPSE legislation, is being opportunistically pursued by the current government. The changes that are taking place are systemic, but they are also fragmented and unintentional. That is, while they may not be systematically designed to uphold the privatization agenda, they are pursued because they allow the government to meet their political goals. In effect, they fundamentally alter long-standing structural arrangements among the post-secondary institutions in the province. The ambition—to bring greater flexibility and efficiency to operations at a time when public resources are in short supply—is not objectionable in itself. That objective must not compromise the integrity of the university system or any of its parts, however.

Another change that is taking place in Manitoban universities, that is a reflection of market forces creeping into aca-

dem institutions, is found in their administrations and fundraising initiatives. Partially because of funding reductions, universities have scaled up their fundraising from alumni, the public and private foundations. They often employ more fundraisers or contract fundraising events. This has led to a greater sensitivity of universities to meet private donor requests—names on buildings or programmes to a chill on activities that could be seen to criticize donors—and new efforts to show how curricula are responsive to market needs.

There have been three important government measures taken since 1999 that have become implicated in the quest to redefine the nature of public universities in Manitoba. Each represents an adjustment of the state institutional structure in anticipation of the emergence of a freewheeling globalized market in university education. Of the three issues that will be taken up here, inadequate public funding, the establishment of the University College of the North (UCN) in 2005, and the recently introduced *Degree Granting Act*, only the latter seems to apply directly to globalization. Considered in isolation from the larger context, each of these policy decisions has been praised by those who value quality higher education that is accessible to all Manitobans.

Funding Deficit

The government is obliged to do its utmost to establish conditions in which public universities are able to provide quality education. Modest funding increases since 1998 have failed to fill the funding gap left by the cuts of the 1990's. University administrators contend that their institutions are not receiving enough government financial support to offset what they see as student-generated

revenue lost to the tuition freeze. In the summer of 2005, the boards of governors at Brandon University and the University of Manitoba announced that they intended to increase ancillary fees by several hundred dollars. To quell student outrage that quite rightly saw the action as a tuition increase by alternative means, the government offered the universities more cash in exchange for reductions in what are essentially user fees. The boards at Brandon University and the University of Manitoba used the same tactic again this past summer with the University of Manitoba reporting that it needed \$9.3 million more if it was to maintain existing programming.

The Manitoba government has proclaimed that its tuition freeze is a central component of its post-secondary education policy, and it certainly represents an important deviation from the neo-liberal willingness to let market forces into the sector.

An answer to the financial shortfall is apparently at hand, at least in part. The government continues with the campaign to recruit foreign students. There is a half-hearted attempt to rationalize this as a humanitarian gesture in support of third world development, but the motivation is clearly commercial.⁶⁹ It is also tied in with their campaign to increase immigration. The *Annual Report* of the Department of Intergovernmental Affairs and Trade (DIAT) for 2004-05 states that the economic impact of international students in Manitoba was over \$50 million annually and that

it was expected to grow by 20% in the current year.⁷⁰

Differential fees are not a new phenomenon in Manitoba, but the discrepancy continues to widen between what Canadians and non-Canadians pay. The recently revised tuition schedule at the University of Manitoba, for example, will have international students registering in science pay over \$10,000 per year, three times as much as Canadians will be charged. Defenders of the increase argue that the widening tuition gap is justified on the grounds that Manitoba taxpayers are footing a large part of the bill for post-secondary education in the province and they deserve some financial benefit. They fail to consider the long-term effects of a bifurcated fee strategy, however. First, colleges and universities will be challenged to reconcile the commodification of services to their international student population with their traditional public responsibilities. As Manitoba educational institutions become more engaged in the international recruitment market, boards of governors will be pressed to set international tuition rates that are comparable to overseas competition. Once that global market niche is located, the international fees may well come to serve as a benchmark for all tuition fees.

The prospect of increasing the number of foreign students in the province has also led the Manitoba government to encourage all post-secondary institutions to “internationalize” their programmes. At this stage of its development, the provincial policy on internationalization

69 Manitoba, Department of Advanced Education and Training (DAIT) (n.d.) “International education” (available at www.gov.mb.ca/ie/welcome.html); Manitoba, Department of Intergovernmental Affairs and Trade, (n.d.) “Reaching beyond our borders: The framework for Manitoba’s international activities” (available at www.gov.mb.ca/international/vision.html).

70 Manitoba, DAIT (2005) *Annual Report 2004/05*, Winnipeg: DAIT, page 47.

does not yet reflect the breadth and depth of adjustments that are being urged by one Canadian proponent: “the internationalization of universities relates to all the objectives, processes, structures, activities, and results that bring elements of global information, action, and decision-making to bear on all levels of university life, whether in teaching, research, or service to the community.”⁷¹

The internationalization movement is largely silent about how its globalization agenda might compromise the interests of the public universities. There are a variety of interests at work in the internationalization lobby, many with progressive inclinations, but these are overshadowed by the ambition to participate in the emerging global post-secondary education market.⁷² The call to internationalize programming is market-driven; it seeks to establish an internationally approved set of quality indicators measuring student outcomes in order to rationalize the new global post-secondary education industry.⁷³ The main aim is to legitimize the academic degrees offered by private universities by providing them a path to academic credibility, while sidestepping the crucial expectations that have traditionally defined public universities in Canada. Although it has never actually admitted so publicly, there is good reason to suspect that the Manitoba government supports this development, not because it wants to bring new

private players to the post-secondary education sector, but as a means to elevate the academic credibility of institutions that do not conform to normal university structure that already operate in the province.

The international student market is important to Manitoba’s private faith-based colleges and universities, but they feel handicapped in the trade because they lack the academic accreditation of the public schools. The government seems to be banking on the availability of a different test for accreditation from what is now available. The introduction of its “International Student” website tells its would-be customers that, in addition to blue skies and friendly locals, Manitoba offers “An internationally recognized education, in leading-edge facilities, from first-rate teachers and professors.”⁷⁴ The broad sweep of the statement is misleading, however, because not all degrees offered in Manitoba are internationally recognized. At this point, only the four public universities have any claim to that status.

The Association of Universities and Colleges of Canada (AUCC), the body representing university and college presidents, has long been recognized as the national organization empowered to maintain the terms and conditions of institutional qualification and to decide which Canadian institutions meet those

71 Jean-Pierre Lemasson (1999) “Introduction: The Internationalization of Canadian Universities,” in Sheryl Bond and Jean-Pierre Lemasson (eds.) *A New World of Knowledge*, Ottawa: International Development Research Centre, page 4.

72. D. Henley (2000) “Book Review of *A New World of Knowledge: Canadian Universities and Globalization* (by Bond and Lemasson)” *Canadian Journal of Higher Education* 30, 3.

73. Organization for Economic Cooperation and Development (OECD) (2006) “Summary of Chair of meeting of OECD Education Ministers, Athens,” Paris: OECD, page 2.

74 Manitoba International Education Branch (n.d.) “Reaching Beyond our Borders,” available at www.gov.mb.ca/ie/intl_students/index.html.

standards. The AUCC, however, has conventional rather than legal authority to serve as a national body of academic adjudication. The AUCC accreditation process continues to rely almost exclusively on structural considerations, such as institutional autonomy, the powers of boards of governors and senates, and academic considerations, such as academic freedom and tenure.⁷⁵ Many of them are rather nebulous, to be sure, but they are also features that private universities have difficulty achieving. The present arrangement, perfectly suited to the Canadian context where public colleges and universities dominate in the post-secondary education institution sector, is found deficient in the new global world of higher education. The international student market that the Manitoba government is presently promoting is tied to the expectation that the domestic post-secondary market be made accessible to private institutions. And so a new set of regulations governing institutional accreditation is crucial to the rationalization of the global market in post-secondary education.

A new format for measuring the academic credibility is already under construction by a second national body, the Council of Ministers of Education in Canada (CMEC), the organization of provincial ministers from across the country. A committee of the CMEC is presently drawing up a protocol that generally ignores con-

sideration of university structures, and has no public input or oversight.⁷⁶ It will be interesting to see how any new regime that emerges from that work will be reconciled with the AUCC accreditation process. There can be little doubt at this point in developments that the federal government, with the support of all the provincial governments, intends to impose some sort of new academic adjudication process on new post-secondary institutions in Canada. It is impossible to predict what impact this will have on established public universities.

Redefining University: University College of the North

The *University College of the North Act* seems to have been constructed in anticipation that some version of the new CMEC protocol will be put in place. It is a risky strategy to proceed in its absence, as is evidenced in the ongoing dispute between the Minister of Advanced Education and Literacy and the Canadian Association of University Teachers (CAUT). Because UCN is a provincial institution that has the legal power to grant degrees, the national academic body takes particular exception to two structural features of the UCN legislation. The first concerns a clause that gives the Minister the power to impose programming changes in the school, a clear violation of the principle of institutional autonomy. The second concerns the lack of academic power

75. Association of Universities and Colleges of Canada (AUCC) (n.d.) "Application for institutional membership," available at www.aucc.ca/about_us/membership/applications_e.html; "Overview of provincial and regional quality assurance mechanisms in Canadian higher education," available at www.aucc.ca/qa/reg_prov_qas/index_e.html.

76. CMEC has joined with Statistics Canada to issue the report, "Education indicators in Canada: Report of the Pan-Canadian Indicators Program, 2005," available at www.statscan.ca/english/freepub/81-582-XIE/81-582-XIE2006001.htm. On the CMEC effort to develop the new protocol, see Advisory Committee of Deputy Ministers of Education (2004) "Assessing the quality of new degree programs and new degree-granting institutions," Draft Consultation Document, Ottawa: CMEC, October 14.

given to the Learning Council, the senate-like body of UCN. Neither government spokespersons nor the people at CAUT have raised the problem directly with the public, but, ultimately, the issue at stake—the quality of the degrees that will be conferred at UCN—is absolutely necessary at the outset. For her part, the Minister has offered little more substantive assurance than her contention that the structural arrangements do not compromise the academic integrity of UCN because she says they don't. The much repeated statement that UCN is not a university but a university college is really irrelevant to the CAUT position: it holds that it must be academics who determine programming in any credible institution of higher learning.

In a related development, the government has informed the staff of the Brandon University Northern Teachers Education Program (BUNTEP) that the access mandate to educate teachers in northern Manitoba will be transferred to the northern school in July 2007. There is nothing particularly surprising about this development, although the timeline to complete the transition is exceedingly short, given that UCN has not yet developed an Education program and its Dean of Education resigned abruptly in December 2006. Meanwhile, discussions about how academic appointments in BUNTEP, covered through the Brandon University Faculty Association (BUFA)-Brandon University Collective Agreement, will be accommodated at UCN have not yet begun and the possibility of CAUT censure is bound to exacerbate an already difficult personnel transfer. This predicament is entirely of the government's making and it is likely to persist

until the dispute with CAUT is resolved. In the meantime, the academic reputation of the University College of the North is being undermined when it most needs bolstering.

Re-Defining University: Degree Granting Act

Introduced at the spring session of the legislature, the *Degree Granting Act* provides the Minister of the Department of Advanced Education and Literacy (or COPSE) with the authority to determine the terms and conditions that must be met before the province will bestow degree-granting powers to any new post-secondary education institution in Manitoba. The legislation is welcome, as it recognizes the need to protect citizens from disreputable enterprises whose profit motive completely overwhelms their responsibility to provide quality academic programming. There is good reason to suspect that the *Act* is intended to accomplish much more than merely repress suspect degree-granting mills, however. Consider, for example, that in the press release that accompanied the public announcement of the *Degree Granting Act*, the Minister stated that its intent was to ensure "that degrees earned from post-secondary institutions in Manitoba will have the confidence of students, graduates, and employers."⁷⁷ She does not seem to appreciate that the CAUT criticism of the department's policy with respect to UCN has already undermined public confidence in the new school. Under the circumstances, the decision to "centralize authority to use the term university" can hardly be comforting to those whose confidence in the government is already low.

77. Manitoba (2006) "McGifford introduces proposed legislation designed to protect post-secondary students," *News Release* March 22.

The *Degree Granting Act* might also serve the COPSE objective of establishing greater powers to coordinate the post-secondary education system in the province. Consider, for example, that the three original organizational categories adopted by COPSE—the public universities, the faith-based colleges, and the community colleges—seem to be undergoing revision. The Canadian Mennonite University (CMU) is now listed on the COPSE website as being both a public university and a religious institution. However, this private university has not changed its operational structure and its tenure provisions require that individuals subscribe to a particular creed. In the same vein, degrees offered by Steinbach Bible College have received official government recognition through the *Degree Granting Act*, but does this legal recognition also carry academic legitimacy? And if CMU is a public institution, why is the Steinbach institution not likewise recognized? The *Degree Granting Act* grants powers to the Minister to decide which institutions are eligible to grant degrees, but it does not communicate the criteria of that decision-making process. The conflict between the provincial government and CAUT over UCN has already revealed that the protection of academic integrity has little traction in the development of policy in Manitoba's post-secondary sector. There is ample reason to be concerned about the powers that the *Degree Granting Act* bestows on the Minister's office.

Conclusion

Thus, privatization is creeping into Manitoba's education system, largely unnoticed, through adoption of, and adaptation to, market dynamics. The decision by the Department of Advanced Education and Literacy to encourage

every university and college in the province to enter the international education market has been accompanied by a government effort to redefine the meaning of academic education in Manitoba. The project that began in the 1990s is in effect, still being pursued as the NDP government has not taken steps to reverse the direction. It is noteworthy that there has been almost no political opposition to the present course of developments, which might suggest that it is high time that all the political parties in the province present a fully developed conception of their plans for Manitoba public post-secondary education.

Municipal Services

Local governments are under relentless pressure from citizens to both expand and improve services while keeping tax rates under control. Citizens want recreational opportunities such as parks, walking trails, and golf courses, as well as better housing, downtown rejuvenation, and economic development. At the same time, cities are faced with the escalating cost of infrastructure maintenance, including replacement of sidewalks or sewers and the reconstruction of roads, and service delivery of public transit, waste recycling, water and wastewater treatment, and garbage collection.

The sources of revenue available to local government to pay for these demands appear limited. Most cities are funded by some combination of property taxes, business taxes, personal taxes via federal and provincial government grants, and user fees. In Brandon, which phased out its business tax in the 1990s, for example, "own source revenues" in 2005 accounted for 84% of general fund revenues (57.5% from property taxes and 26.5% from user fees, fines, interest, etc.). Win-

nipeg, on the other hand, generated 80% of its revenue from its own sources: 69% from property and business taxes, 6% from sales of services and assets, and 4% from fees for services. In Selkirk, a much smaller city, 84% of total revenue is derived from own sources (property tax, 47.7%; business tax, 1.9%; grants in lieu of taxes, 14.8%; city fees, 10.3%; and other, 9.6%).⁷⁸

Cities and towns receive provincial government funds tied to projects or activities, and unconditional grants that can be used for any purpose. In the recent past, grants from provincial and federal governments have not kept pace with the revenue requirement of local governments. However, in 2005, the federal and provincial governments agreed to share revenues from gas taxes with local governments to fund physical infrastructure projects: sewer, water, streets, sidewalks, etc. This revenue-sharing arrangement has been touted as an achievement of the cities that have lobbied for a 'new deal' in tax sharing.

However, the so-called 'new deal' sought by Winnipeg and other cities promised much but delivered little. The sharing of revenues from the gas tax means, in effect, that cities remain dependent on the largesse of senior levels of governments; and, "what governments giveth, they can also taketh away."

In most communities, the Chambers of Commerce and other business organizations play a major role in dealing with the balance between providing public services and keeping taxes down. These organizations are calling for cuts or freezes to business taxes, contracting out more services to the private sector, sell-

ing off city assets to raise revenues, and providing grants to fund capital projects for public-private partnerships. Local politicians have fallen under the spell of a new ideology of 'streamlined or entrepreneurial' government. Thus, the business tax for Brandon was eliminated in the 1990s, municipal tax rates generally across the province have been declining since 1998, and combined school and municipal taxes have remained relatively constant (the reductions in municipal taxes have been offset by increases in local school board taxes necessitated by the erosion of provincial government support for public education). Cities are also selling their physical assets (land, gravel, development rights). In Brandon, the Chamber of Commerce is also seeking to dominate the development of city plans (strategic action plans) and the process of visioning.

In this context of declining revenues, many municipal governments are seeking new ways to maintain services while cutting costs. In particular, local governments have turned to the private sector to provide many services on the assumption that private business can provide those services more cheaply. Privatization of municipal services has taken several forms.

Contracting Out

Residential garbage collection in Winnipeg has been contracted out to large multi-national corporations, Waste Management International and BFI Canada. For many years, there was a balance of public and private collection of garbage in the city, a balance that was reconfirmed as late as 1999 when a re-

⁷⁸ From annual reports of 2005, City of Brandon, City of Winnipeg, and City of Selkirk.

structuring and streamlining of service provision could have changed the method of collection. Then, in 2005, Winnipeg City Council voted (9 against 7) to contract out all other areas of the city. In the last phase, the Mayor justified the decision to go private on the basis that cost savings were possible and necessary. However, the \$2.8 million a year in savings the Mayor promised from privatization is now less than \$700,000 a year and this amount is expected to decline even more in the future as contract charges increase.⁷⁹

Snow removal in Winnipeg is increasingly contracted out to local companies, creating the appearance of cost reduction. However, services are also reduced when the work is contracted out, as Winnipeggers saw during the first major snowfall of 2005. Contractors worked on jobs for commercial enterprises before they tackled public streets, leaving residents struggling for a week after a huge storm. The city has also given up on its ability to efficiently and economically repair and replace streets. Mechanical means of road repair have not been successful and road conditions continue to deteriorate.

In 1975, Brandon acquired a golf course and curling rink in the west end of the city by taking over the property from private owners who were in tax arrears. After the city took over the facility (now called the Recreation Centre), recreational activities were expanded to provide more opportunities for outdoor winter activities for children, and there were upgrades to the golf course. An advantage to having the golf course owned by the city is that the prices set for golf and curling limits the capacity of private operators in

the city to raise their prices. The main drawback to the city-owned golf course is that it is flood-prone. When the Assiniboine River floods, the golf season is shortened, revenues decline, and deficits are incurred. In 2000, city officials decided to contract out management of the recreation centre to private individuals who were convinced they could turn the facility into a profit maker through improved efficiencies in operations and superior marketing.

As it turns out, not only have things at the Recreation Centre not improved under the new management arrangement, they have gotten worse. The managers requested that they be let out of the remaining term of their contractual obligations. Now there is talk among councillors that the Recreation Centre should be sold to the highest bidder. It seems likely that developers in Brandon would be very interested in acquiring these properties for residential and/or commercial development. As well, it is likely that proprietors of other golf courses and curling rinks welcome the decommissioning of these facilities so that they can raise fees. The City is now seeking input from the public on the question of whether it should sell the golf course or keep it along with the curling club and adjacent tennis courts. Re-elected Mayor Dave Burgess has already stated that he wants to sell the facilities.

Smaller cities are also contracting out more and more of their services in what appears to be creeping privatization. The City of Selkirk, for example, contracted out almost 30 municipal jobs in the last two decades. Work once done by city employees—building cleaning, tree pruning, garbage collection, animal control,

⁷⁹ According to financial analysis done by CUPE, the union representing city workers.

road repair, and other city services—are now done by local contractors.

Private-Public Partnerships

A public-private partnership in Winnipeg approved in 1995 is an example of how much this approach to providing major infrastructure can cost. The Charleswood Bridge was built and is now owned by DBF Ltd., who leases it to the City of Winnipeg. Each year the city pays about \$1 million for the use of the bridge. In 30 years, when the city gets ownership of the bridge, it will have cost about \$37 million, or one-third more than what it would have cost the city to build the bridge (\$9.9 million) and finance it (estimated to be about \$9 million at 4% interest rate) directly.⁸⁰ City officials claim this is a good deal, as the city will not have the burden of maintenance costs over the 30 years. In other words, if what the city says is accurate, maintenance of the bridge would have cost more than the \$19 million over the 30 years that the city is now paying.⁸¹

In 1996, Winnipeg's Handi-Transit system was significantly altered to be a P3. Instead of being completely owned and operated by the City of Winnipeg, the system was transformed into an arrangement where private companies are hired to provide transportation for Handi-Transit. While the City of Winnipeg continues to maintain the dispatch system—taking booking requests from users, creating drivers' schedules, and recording "no shows" and trip cancellations—the private companies own the buses.

Out of concern for the quality of serv-

ice of the Handi-Transit system, two things occurred in 1996. First, the Access Advisory Committee (AAC) was formed, consisting of disabled community members and one city councillor. In a brief presented to city council, they outlined their concerns about contracting out. They included:

- Costs of operation might increase. This has been shown to be true. Handi-Transit has had a shortfall in their funding from the City every year since contracting out began. The Province has also decreased its portion of funding for Handi-Transit, making these shortfalls an even larger problem. In 2005, for example, there was a forecasted need to accommodate 579,000 trips—though 510,000 trips had been budgeted. The 2005 approved budget for Handi-Transit contractors was \$6,329,000, but should have been \$848,000 more.
- Lack of accountability. Methods used to provide accountability for the quality of Handi-Transit services might not be accepted by the private contractors. Accountability has been shown to be a big issue because each contractor is responsible for the conduct and level of service provided by their drivers, over which the City of Winnipeg has no control over. Consequently, problems that arise with specific drivers are not addressed by the company that employs them. This is, in part, because there is no overall public quality-control mechanism. It is also the

80 John Loxley (2006) "Civic cost over-runs: Are PPPs the solution?" *Fast Facts*, Winnipeg: CCPA-MB, June.

81 Winnipeg City Councillor Justine Swandel, interview on CJOB, "Richard Cloutier Reports," December 11, 2006.

result of the vulnerability felt by many Handi-Transit users. Without a public body overseeing the quality of service, they fear that drawing attention to specific driver inadequacies could result in even poorer service.⁸²

- Greater turnover in drivers, resulting in increased training costs. Contractors are paid a base amount per trip and it is up to them to determine what to pay their drivers and still maintain financial viability. It has been shown that driver turnover is great, not only resulting in increased training cost, but also disrupting any level of consistency for consumers of the system.

The other thing that occurred in 1996 was the formation of a group called Citizens Concerned About Accessible Transportation (CCAAT). This group of Handi-Transit users and other people with disabilities came out of the Manitoba League of Persons with Disabilities, a human rights advocacy organization that was instrumental in the founding of the Handi-Transit system in 1977.

CCAAT lobbied city councillors and made presentations to City Council and other civic committees in an attempt to get the City to address the problems that were already occurring with the contracting out and to try to prevent future problems that they anticipated.

To date, the Access Advisory Committee is still in existence, but does not deal with Handi-Transit issues. A citizens' committee called the Handi-Transit Policy Advisory Committee now exists to advise the Executive Policy Committee on these issues. The City of Winni-

peg increased its financial support of Handi-Transit by \$310,000 in the 2006 operating budget. Despite yearly increases in funding, problems still exist with regards to dispatching and quality of service of Handi-Transit.

The situation in Brandon is no less concerning. Prior to 2001, Brandon operated a Handi-Transit system for individuals who made advance bookings. Following a review of the Handi-Transit system, Brandon decided to expand the service by selling tickets to individual users at a subsidized rate and utilizing private firms. In 2004, Brandon invited tenders to provide services for a second three-year period and awarded a contract to a single firm. This change in practice was initiated to gain economies in administering the system. Shortly after the contract was awarded, the owner of the firm proposed that his firm be given a monopoly on all Handi-Transit services provided through the city service and take over the dispatching service. Council recognized that this would strip the city of whatever leverage it has left for influencing competition and the quality of service, and rejected the proposal. The firm that was awarded the contract just recently gave notice that it was resigning from its contractual obligations because it could not control the demands for services. In the past year, the City has expanded its own capacity to provide services by almost 40%. Currently, three bids to provide additional Handi-Transit rides are under review.

The experience in recent years indicates that the City's ability to transfer Handi-Transit to the private sector is constrained by a vocal and effective users group that will not accept a deg-

82 Emily Ternette, conversation with authors, December 10, 2006.

radation of services and extraordinary hikes in prices.

Sale of Assets

The City of Winnipeg has turned some important services into Special Operating Agencies (SOAs). Animal Control, Fleet Management, Glacial Sand and Gravel, and the golf courses became SOAs under the guise of making them more service-oriented. There is some reason to believe that these services are being primed for total separation and sale to the private sector. In July of 2006, City Council agreed to sell the Sand and Gravel pit for \$11 million, when another offer for about \$33 million had been rejected. Officials are informally indicating that the golf courses will be put up for sale next. Once services are separated and function parallel to the main government services, they are more vulnerable to simplistic scrutiny and criticism.

As well, there are situations where private sector firms seek to socialize some of their costs and liabilities by entering into contractual arrangements with cities and local governments. For example, a wastewater treatment plant for Maple Leaf Pork was funded by the provincial government and the City of Brandon in 1997. Maple Leaf committed to build a hog plant (estimated to cost about \$12 million) in the east end of Brandon that would process 45,000 hogs per week and employ 1200 workers. In exchange, the Province built a road to accommodate the delivery of hogs to the plant and provided money for training. Brandon assembled and sold to Maple Leaf a large tract of land for \$1, built infrastructure (sewer and water) to the plant, and paid for the cost of constructing a wastewater treat-

ment plan to handle the wastewater. The original plan called for the city to turn the plant over to Maple Leaf once construction was completed. However, Maple Leaf persuaded the city to retain ownership and charge Maple Leaf for the treatment services provided. Since the plant opened, Brandon has established special transit runs to get workers to the plant and back to the city again, and the province has facilitated the recruitment of offshore workers for Maple Leaf (from El Salvador, Mexico, Ukraine, etc.) Currently, Maple Leaf is negotiating with Manitoba and Brandon to get additional plant capacity to process wastewater, built at public sector expense.

Why Is Privatization a Problem in Municipal Services?

Privatization at the municipal level has been unrelenting over the past 10 to 15 years. But, more importantly, privatization has not solved the problems faced by municipal governments. Private delivery of municipal services is neither less costly than public delivery, nor is it more effective. As is evident in the cases of garbage collection, snow removal, and road repair, municipal public services—those public services often the closest to where we all live—are and have been on a constant downward slide (both previous *State of Public Services* reports⁸³ have shown conclusively that municipal services have been the most precarious of all public services in Manitoba).

In a nutshell, the difficulties faced by Manitoba municipalities are basically caused by underfunding. Despite improvements in revenue for 2006 and for the immediate future, local governments continue to be limited by a shortfall in

83 CCPA-MB (2003) op. cit, and CCPA-MB (2004), op. cit.

relation to what citizens want and expect them to do. What cities need to meet their requirements is access to revenue sources that are greater and more elastic than existing sources—income, sales, and hotel taxes are examples. Without these revenue streams (and the political will to pursue them), public services at the municipal level will be under relentless privatization pressure.

Privatization in municipal politics in Manitoba is also driven by a monopoly political situation: businesspeople and people of wealth have the dominant voice. However, to change the outcomes of local politics in Manitoba, there must be opposition to singular business interests. This opposition must come from labour and other progressive organizations.

Social Services

In some ways, Manitoba has been spared both the political rhetoric and a large-scale privatization of social services. Unlike some provinces, there has not been a wholesale transfer of social services to private financing or to private service delivery. This is not to deny that there has been significant non-government service delivery and user financing of a portion of many services, or that considerable restraint in service delivery is occurring.

In the late 1980s and for most of the 1990s, the provincial government considerably restrained social service expenditures and increased the privatization rhetoric, but there was relatively little transfer from public to private financing or delivery. The government did try to get for-profit agencies to provide private adoptions and to privatize at the admin-

istrative level⁸⁴ through a broad contract to IBM to design a single-tier welfare system that was to be partially financed through the savings from the system designed by IBM. There were also experiments in private provision and co-payments and deductibles in home care for seniors and persons with disabilities.

Currently, the government pays for and delivers a significant level of social services. There has been, however, a shift to more individual purchase and charitable funding of services and the increased use of voluntary and commercial agencies to deliver services.

The current government approach has been to maintain a commitment to public funding and delivery of services. Yet, funding for social services has not kept up with social demand. The result has been to shift a considerable amount of the financial burden onto individuals and families. The voluntary and non-profit sectors are significantly involved in social service delivery in Manitoba, while the government remains the dominant funder. Serious limitations to voluntary and non-profit capacities flow from reductions in government funding, difficulties in the funding process, the paucity of funding for core administrative and planning functions, and over-reliance on project funding. This has led to significant restrictions in the ability of organizations to plan, and thus to continuously deliver, high-quality services.

Privatization by Default

By far the most significant form of privatization of social services in Manitoba has been the subtle privatization by default.. Both implicit privatization and privati-

84 J.S. Ismael, op. cit.

zation by attrition are apparent. Both forms of privatization by default transfer responsibility for the funding of social services from the public to the informal and voluntary sectors and lead to public social services that are available only in exceptional circumstances.

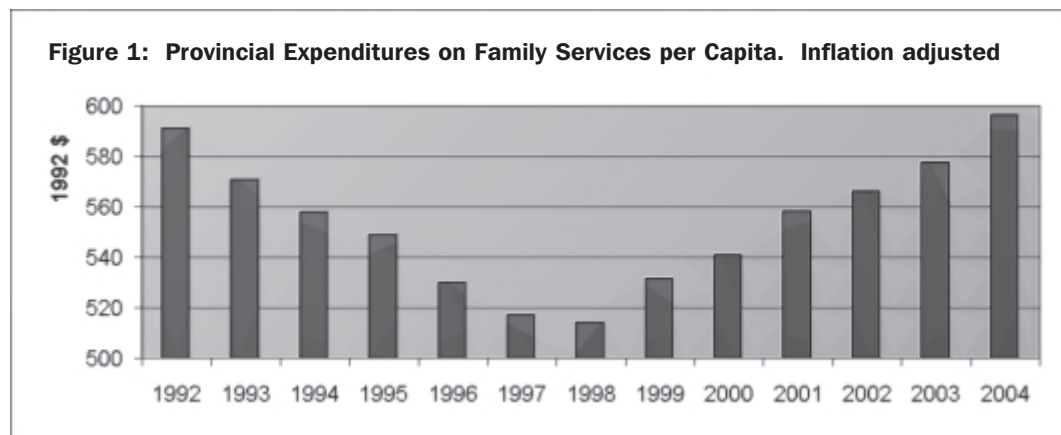
Figure 1 demonstrates that social service expenditures by Manitoba Family Services and Housing fell by \$77 per capita in constant dollars between 1992 and 1998. They began rising in 1999, but still only attained the 1992 level in 2004, finally surpassing it, but only by \$5 per capita. This is clear evidence that a great deal of privatization of need must have occurred as publicly financed and delivered services became less available.

Significant implicit privatization occurs in Manitoba's social service system through policies that structure a very categorical set of services, rather than an integrated system that focuses comprehensively on people's needs. Generalist counselling services are no longer available, for example, and only those people with psychiatric diagnoses are eligible for publicly provided mental health services. This, no doubt, has led to the expansion of privately provided psychological and social work services, often financed through occupational benefits or by the

private resources of those who can afford them. Home care services for seniors and persons with disabilities are provided only to meet medically defined care needs and not to enhance quality of life and social participation. Early learning and childcare are provided largely to facilitate parental employment and training in preparation for employment, and are not provided to children of non-working parents to enhance child development, especially crucial for children living in poverty. Support, therapeutic, and residential services for persons with disabilities are dependent on diagnosis of particular conditions. Diagnostic resources are often severely constrained. Those not yet, or ever, diagnosed are often ineligible for services, despite functional limitations.

The Case of Income Support

The minimum function of income support programmes is to insure that households can meet their basic needs when market (and other) income is not adequate. There is a public as well as a private interest in alleviating poverty in this way because living in poverty is harmful to the health and occupational performance of adults and to the lifelong development of children.⁸⁵ Thus, pov-



85 P. Starr, op. cit.

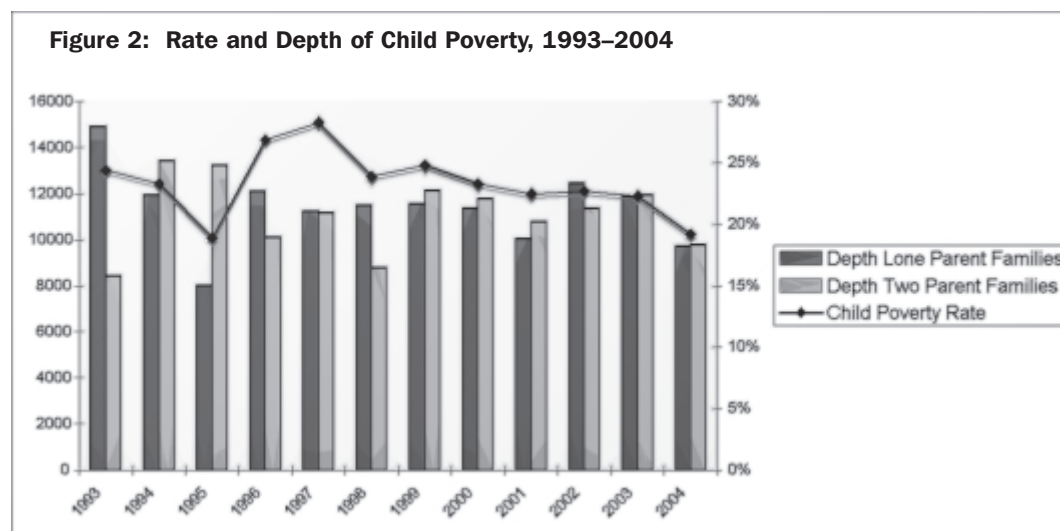
erty impairs human capital and limits economic growth and productivity.

There has never been a clear right to a particular level of income in Manitoba or Canada. Despite extensive advocacy for a guaranteed annual income (now often called a basic adequate income), this has not been established. The end of Canada Assistance Plan cost-sharing in the 1990s further eroded the socially held principle that people had a right to social assistance. However, when market income is not adequate to meet basic needs, and income support programmes do not adequately fill the gap, a kind of implicit privatization occurs. If society, through the social service system, cannot provide for people's basic needs, then they will be met through informal help from extended family, friends, and neighbours, and more formal help from voluntary and non-profit organizations. Thus, food banks have grown in number as cutbacks in income-support programmes occurred through the last three decades.⁸⁶ The privatization of poverty accelerates when

there are cutbacks in income-support benefits or when benefits are allowed to erode through inflation.⁸⁷

Manitoba has a serious poverty problem. In the case of child poverty, from 1993 to 2004, based on pre-tax low income cut-offs, the average rate of child poverty was 23.4%, ranging between 18.9% and 28.3%, after all income is counted, including that from income security programs. On average, two parent families were \$11,395.67 below the poverty line across these years, ranging from a yearly minimum of \$9,721 to a yearly maximum of \$14,919. The average depth of poverty for single parent female-headed families was 11,081.58, ranging from a yearly minimum of \$8,442 to a yearly maximum of \$13,431.⁸⁸

The implicit privatization of poverty can also be illustrated and measured in the decrease of provincial welfare benefits for a single-parent family with one child: they have dropped (in constant dollars)



86 E.S. Savas, op. cit.

87 P. Starr, op. cit.

88 Social Planning Council of Winnipeg (2006) *Manitoba Child and Family Poverty Report Card 2006—Back to the Future: Approaching 1989*, Winnipeg: Social Planning Council of Winnipeg.

by 21.6% between 1989 and 2004. For a couple with two children, welfare benefits have decreased by 29.1% over the same period. Benefit and eligibility levels for the Child Related Income Support Program for working poor families with children have remained unchanged since 1981 when the programme was initiated. They are so low that by 2003-2004, only 1153 families had enrolled, compared with 7133 in 1989-1990.⁸⁹

Early Learning and Childcare

The provision of early learning and childcare demonstrates the combination of implicit privatization and privatization by attrition in the financing of a social service. Implicit privatization relates to the mixed funding model, in which parent fees are combined with government operating and specialized grants.⁹⁰ These parent fees are substantial: for infants, \$560 per month in centres and \$408 per month in homes; for preschool children, \$376 in centres and \$328 in homes; and for school-aged children, \$244 in centres and \$230 in homes. Low-income parents are eligible for subsidies, but providers are permitted to charge up to \$2.40 per day per child to fully subsidized low-income families. Manitoba Family Services and Housing covers \$1.00 of this per day for welfare recipients.

The shortage of childcare spaces creates a form of privatization by attrition, as some parents completely finance any childcare they receive. In April 2004, there was only .14 of a space per child from 0 to 12 years of age in Manitoba and only .22 of a space per child of this age who had a mother in the paid labour force. Demand clearly outstrips supply and many parents must purchase unregulated care.⁹¹

Within regulated childcare, most spaces are provided by voluntary and non-profit organizations, with about 16% provided by family daycare providers as of April 2004.⁹² These family daycare providers are difficult to classify, and might be considered either part of the informal sector or part of the small business sector. Prentice⁹³ demonstrates that commercial care (small business and large-scale corporate sector) constitutes only 8% of daycare centre (as opposed to family) spaces, and that this is decreasing over time. However, commercial care remains a concern because it has been clearly shown to be of lesser quality than non-profit centre care.⁹⁴ Prentice⁹⁵ also notes that the small size of Manitoba's commercial childcare sector is because of explicit disincentives built into the system from the beginning, related to a socially liberal political culture.

89 Ibid.

90 M. Friendly and J. Beach (2004) *Early Childhood Education And Care In Canada*, 6th edition, Toronto: University of Toronto, Childcare Resource and Research Unit.

91 CCPA (2004) op. cit.

92 M. Friendly and J. Beach, op. cit.

93 S. Prentice (2005) *For-Profit Child Care: Past, Present And Future* (Occasional Paper 21), Toronto: University of Toronto, Childcare Resource and Research Unit.

94 Ibid.

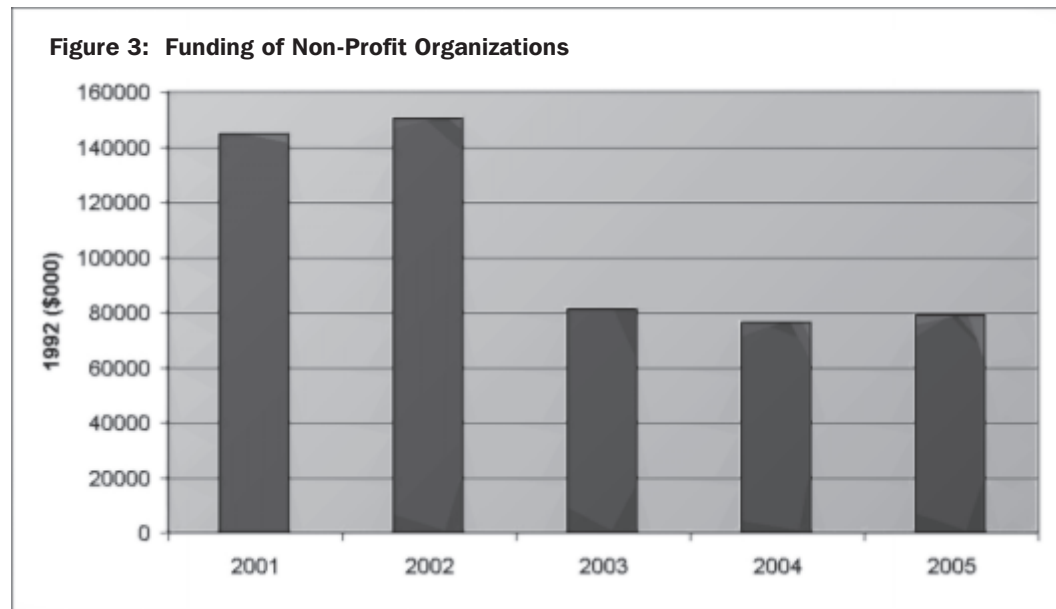
95 S. Prentice and M. McCracken (2004) *Time for Action: An Economic and Social Analysis of Childcare in Winnipeg*, Winnipeg: Childcare Coalition of Manitoba.

Voluntary and Non-Profit Sector

Starr⁹⁶ points out that there are four alternative service providers when the public sector does not provide a social service. These include: the personal domestic or informal sector; the voluntary and non-profit sector; the small business sector; and the large-scale corporate sector. Therefore, non-government service delivery can involve a range of quality and cost considerations.

The use by government of voluntary and non-profit sector organizations as delivery agents for social services potentially involves different considerations from those in the use of small businesses or corporate sector agents. Starr⁹⁷ calls the support of voluntary and non-profit organizations by governments “privatization as community development.” Governments empower community organizations to provide goods and services in

a non-bureaucratic manner, which builds community capacity and honours local culture. Similarly, Ismael⁹⁸ argues that voluntary and non-profit sector organizations can play important roles in terms of innovation, advocacy, guardianship of democratic values, and delivery of services, which large state bureaucracies cannot effectively do. Yet, the capacity of the sector may be limited when the state adopts a “third party government” stance to contain costs and limit the scope of its responsibility.⁹⁹ At its worst, this can lead to subordination of the voluntary and non-profit sectors to act as agents of government. These organizations may tend to act as vendors to government rather than providers of community service, becoming more like public bureaucracies than civil society organizations, as they seek to meet government contractual and accountability requirements.¹⁰⁰



96 P. Starr, op. cit.

97 P. Starr, op. cit.

98 J.S. Ismael, op. cit.

99 L. Salamon, op. cit.

100 R.M. Kramer (1994) “Voluntary agencies and contract culture: “Dream or nightmare?” *Social Service Review* 68, 1.

Figure 3, covering the five years from 2001, shows the amount of grant funding approved to voluntary and non-profit social service organizations by the Family Services component of Manitoba Family Services and Housing. These approved grants amounted to an annual average of 14% of actual social service expenditures between 2001 and 2005. The decline from 2001 to 2004 is likely due to increased reliance on per diem payments related to purchase of service contracting in the latter two years. There are several limitations related to these data, which should be noted. First, these are approved expenditures, and actual expenditures may vary somewhat from what was approved. More importantly, these data do not contain per diem payments to organizations. This is often the form of payment associated with purchase of service contracts.

The perspective is similar from an organizational point of view. The 2003 National Survey of Non-profit and Voluntary Organizations reported that 8803 organizations in Manitoba had primary activities related to social services.¹⁰¹ This sample is too small to analyze separately so Manitoba data have been combined with those from Saskatchewan, the Yukon, and the Northwest Territories for detailed analysis.¹⁰² Findings for this combined region confirm the dominance of government funding, as social services organizations report that 66% of their revenues come from government, the largest single source of funding. Most of

this (82%) comes from provincial and territorial governments.

Limiting the Capacity to Serve

One of the ways that governments limit the capacity of voluntary and non-profit organizations is with insufficient funding and funding arrangements, such as project funding, which distort the operations of the organizations. In this regard, the National Survey found that 75% of social service organizations in the Manitoba, Saskatchewan, and Territories region reported that reductions in government funding were a problem for them, with 47% indicating this as a serious problem. More than two-thirds (69%) reported difficulty in obtaining funding from other organizations, including governments, and the same percentage reported that funders were unwilling to fund core operations. Not surprising, 67% report an over-reliance on project funding. As might be expected from this, 69% report difficulty in planning for the future. This capacity problem is clearly exacerbated by increasing demand for organizational products and services, which was identified as a problem by 61% of organizations.¹⁰³

As described above, government funding may lead to organizational empowerment or goal distortion or deflection, limitations in autonomy, devoluntarization, professionalization, and bureaucratization. Purchase of service contracting provides for maximum government power, and, therefore, has been

101 M.H. Hall M.L. de Wit, D. Lasby, D. McIver, T. Evers, C. Johnston, J. McAuley, K. Scott, G. Cucumel, L. Jolin, R. Nicol, L. Berdahl, R. Roach, I. Davies, P. Rowe, S. Frankel, K. Brock, and V. Murray (2004) *Cornerstones of Community: Highlights of the National Survey of Non-Profit and Voluntary Organizations* (catalogue no. 611-533-XIE), Ottawa: Statistics Canada.

102 Ibid.

103 Ibid.

seen as most likely to result in these negative consequences.¹⁰⁴ The benefits often attributed to purchase of service contracting include lower cost, higher quality services, and more efficient delivery as a result of competitive contracting arrangements and enhanced accountability flowing from the specificity and reporting requirements of the contract.¹⁰⁵ However, Van Slyke¹⁰⁶ has demonstrated that these benefits are sometimes negligible because of an absence of competitive contracting and limitations in public management capacity to act as smart buyers.

Several recent studies in Manitoba describe both the promise and problems of purchase of service contracting. Kao¹⁰⁷ conducted case studies with eight Winnipeg voluntary and non-profit social service organizations providing mental health services, child and family services, emergency and relief services, and services to persons with mental disabilities. She found that a competitive market model of contracting was practised to only a very limited extent. On the one hand, most organizations did not perceive goal deflection or distortion, limitations to autonomy, devoluntarization, or that contractual accountability requirements limited their capacity to respond to client or community needs. On

the other hand, most organizations perceived an extreme power imbalance in favour of government rather than a collaborative partnership, and one organization experienced significant losses to its autonomy through service standardization and other means of government control. In the view of the senior manager, this had impaired the organization's capacity to meet client and community needs.

Brown and Troutt¹⁰⁸ have studied the purchase of service contracting arrangements between the province's Family Violence Prevention Program (Manitoba Family Services and Housing) and the voluntary and non-profit organizations that it funds. They found a successful cooperative model, based on sustained financial support, long tenures of government staff, a reporting system that encourages honesty and communication, and government demonstration of trust in the expertise and motives of organizations.

Contracting with the Private Sector

The Auditor General of Manitoba¹⁰⁹ has produced a series of recommendations to exercise accountability when public funds are provided to private sector contractors by Manitoba Family Services and Hous-

104 R.M. Kramer, op. cit.

105 D.S. Nightingale and N.M. Pindus (1997) *Privatization of Public Social Services: A Background Paper*. Washington, D.C.: The Urban Institute.

106 D.M. Van Slyke (2003) "The mythology of privatization in contracting for social services," *Public Administration Review* 63, 3.

107 W.C. Kao (2005) *The Impact of Purchase of Service Contracting on Voluntary Community-Based Social Services Organizations*," Winnipeg: MSW thesis, University of Manitoba, Faculty of Social Work.

108 L.K. Brown. and E. Troutt (2004) "Funding relations between nonprofits and government: A positive example," *Non-profit and Voluntary Sector Quarterly* 33, 1.

109 Office of the Auditor General of Manitoba (2004) *Investigation of Hydra House Ltd. and A Review of the Related Department of Family Services and Housing Financial Accountability Framework*, Winnipeg: Office of the Auditor General of Manitoba.

ing. This was done after the 2004 investigation into allegations of misused public funds at Hydra House, a privately owned residential facility for persons with disabilities. More broadly, the Auditor General concluded that the department was not effectively measuring the performance of its external service providers and could not determine if public money was spent for the purposes intended. The reporting requirements and level of department control were also higher for voluntary and non-profit providers than for those from the private sector.

Assessment for the Future

For social services in Manitoba, the fiscal future seems to indicate there will be increasing demand and little expansion of resources to meet it. Involvement of the

private sector will likely continue to be limited by low potential for making profit from the poor, markets of relatively small scale, and some regulatory constraints. However, smaller scale contracting out and public-private partnerships may occur where niches of potential profitability are identified.

What is more likely to continue to occur and to expand is the more subtle forms of privatization through underfunding of voluntary and non-profit organizations, undersupply of public social services, and erosion of benefits from not indexing them to inflation. This kind of privatization is often more difficult to detect, but effectively shifts responsibility from government to the informal and voluntary sectors, which often will not have the capacity to meet it. This will result in unmet need and privation.

Conclusion: Reining in the Trojan Horse

Manitobans have not experienced rampant privatization of their public services through the dumping of service responsibilities by different levels of government or through outright sales of public assets to private companies. The sector where there has been the most overt privatization has been municipal services, particularly in the City of Winnipeg. However, significant privatization by default has occurred in all sectors, through incremental contracting out or out-sourcing of services, adopting business management practices, and shifting more and more to user fees and a reliance on the voluntary sector for the delivery of social services.

In the recent past, the provincial government has held the line on privatization better than most other provinces. Even in the early 1990s, when there was more interest, the province reversed some of its attempts to privatize, most notably in home care. Yet, as we document above, there are sufficient and significant examples to indicate that there is a need for constant monitoring of government to ensure that the delivery of public services is kept public, as it was in the past.

It is very likely that we will continue to witness “creeping privatization,” whereby small, almost imperceptible shifts away from public service delivery continue to accrue without a lot of attention being paid to them. We are very likely to see more contracting out in health care and municipal services, the adoption of a private sector model for education, and privatization by default in social services.

Over time, these changes will begin to

have a significant detrimental impact on the quality of services that are offered to the general public. As this report has shown, negative effects are already evident. In all sectors examined in this report, the research indicates that privatized services are generally neither more efficient nor less costly. The great financial savings trumpeted for municipal services (such as contracted out waste collection and a P3 bridge), for example, have certainly not materialized. While not an absolute conclusion, it is, nonetheless, absolutely clear that the efficiency and cost verses in the privatization mantra cannot be taken as articles of faith.

Privatization Creates New Problems

Most of the situations examined in this report also show that privatized services are of poorer quality than public services. The problems experienced by the WRHA in contracting out sandwich production and the complaints received by the City of Winnipeg over garbage collection are only two examples.

This precariously protected state of affairs is partially due to the size of Manitoba’s social service economy and therefore the relatively small profits to be made by private contractors. It may be that there is an insufficient market and profit to be made to attract the huge companies. However, with the presence of companies like BFI and Aramark, the size of the market may be more attractive than is apparent at first glance.

Privatization, therefore, remains a serious threat to all public services in Manitoba and vigilance is needed to keep them

on a socially responsive path. There are good reasons for public monitoring and evaluation to ensure services are kept within public control. Even more imperative than just vigilance for public services, though, our investigation suggests expanding public services in Manitoba. In health care, for example, there are services that should be added to the services basket; in higher education, the collegial model should replace the market model; in municipal services, there are services which would be better delivered publicly; in social services, much expanded childcare and mental health services are necessary.

At the political level, it is evident that, when there are politicians in power who understand all the risks and costs, there is less government initiative to privatize. The Manitoba government, in recent years, has held the line on privatization or commercialization. For example, the previous Minister of Health made numerous statements defending public delivery of health care and repeated a commitment to avoid privatization of any part of the system. Manitoba has also maintained standards for childcare, for example, that have meant private childcare must provide the same level of care as public facilities.

Rights of Citizenship

Canada has been built on the principle that there are public goods and services that are the rights of citizenship—not the privilege of income. Though we may see different political ways of providing public services, we have a fundamental belief in the common good, social cohesion, equity, and reciprocity. Therefore,

we have sought to create public services that are economically viable, accessible, and accountable.

However, there are those among us who maintain that private contractors could provide public services more efficiently and at less cost. These advocates also value greater integration into the US economy and devalue the provision of support for disadvantaged Canadians. They have, in our view, a relatively short-term perspective on what is best for public service delivery. However, at a time when political expediency dominates social and economic planning, they are able to exercise a fair amount of influence on governments.

Currently, governments at all levels are tipping the balance in favour of private enterprise to provide more services to their publics. And, as they are devolving more services to these contractors, they are losing administrative and operational control. Although most government services continue to be provided by public agencies, the balance that allows governments to deliver accessible and quality services is precariously close to being lost.

Privatization in the guise of solving our public service needs, just like the Trojan Horse of Greek myth, is more likely to erode our public service system than energize it. The choice to let it in or keep it out is ours. Without due attention and serious effort on the part of citizens and politicians, private sector agencies could soon dominate the service industry and Manitobans will have little or no power to reclaim authority for the services that determine our quality of life.