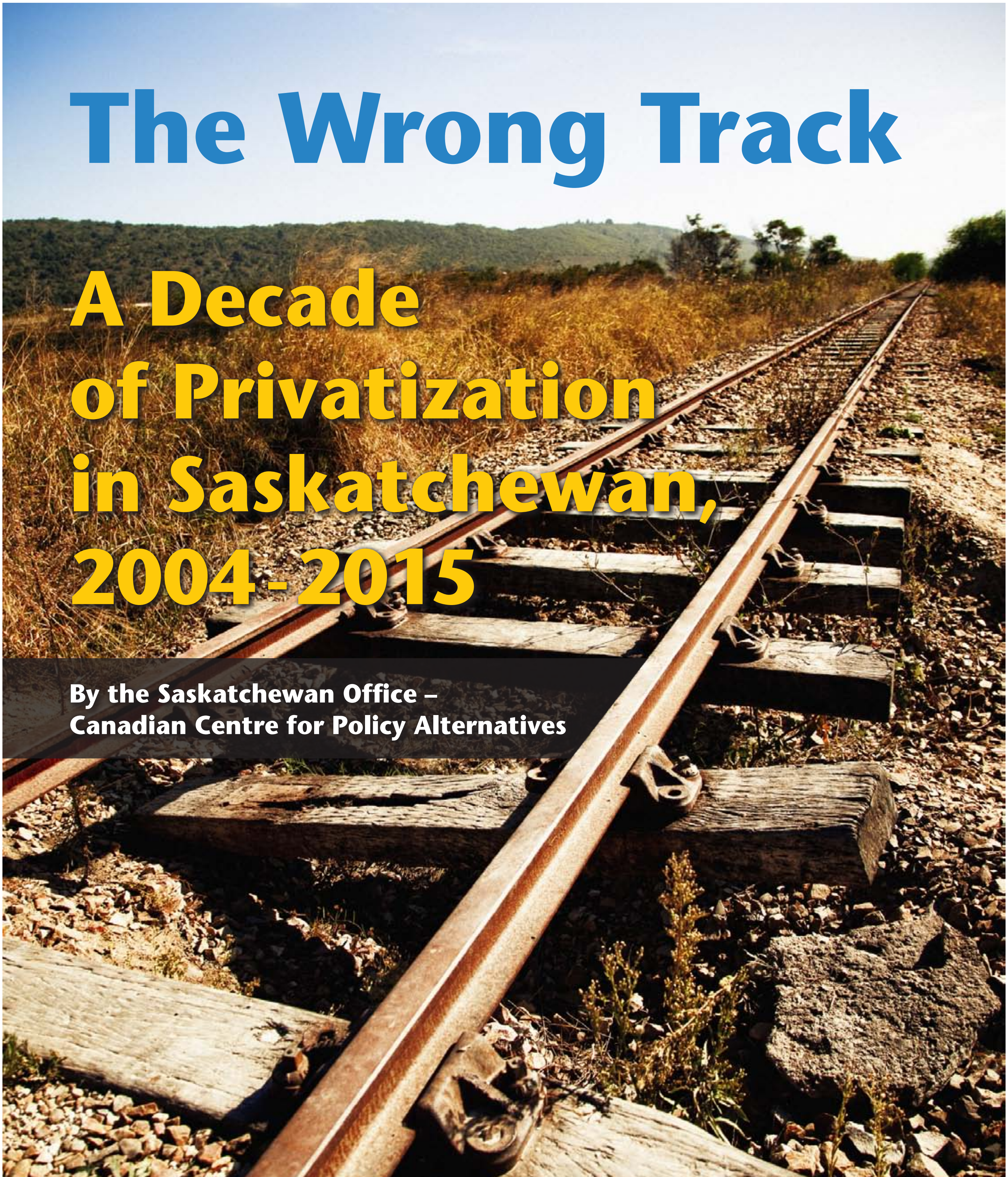
The Wrong Track

A Decade of Privatization in Saskatchewan, 2004-2015



By the Saskatchewan Office –
Canadian Centre for Policy Alternatives

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October 2015

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Introduction

There is little doubt that public enterprises like Crown corporations enjoy a unique pride of place within the politics of Saskatchewan. As a province that has historically been prone to the vagaries of external forces such as international commodity markets, fluctuating resource prices and shifts in federal trade policies, publically-owned enterprises allowed a measure of control and direction over our economic future. Indeed, as Dunn and Laycock observe, it is this sense of vulnerability to outside forces, often beyond our control, that has led to "political demands for a strong provincial government capable of effectively protecting and promoting the welfare of the provincial population" (cited in Wesley, 2011, 21). Certainly, Crown corporations and other public enterprises and services have been indicative of this sensibility throughout Saskatchewan history.

Early advertisement for Saskatchewan Government Insurance (SGI)

The importance of Crown corporations to Saskatchewan is perhaps best demonstrated by the level of public attachment to them. Opinion polls consistently show strong support for the provincial Crowns, with levels of public support for them reliably hovering near the 60 percent mark (Mandryk, 2001, A15). Indeed, the most recent 2012 Saskatchewan Election Study found that 58.7 percent of respondents strongly opposed or somewhat opposed privatization of the existing Crowns. Even among self-identified Saskatchewan Party members, 47.2 percent strongly or somewhat opposed privatization of the existing provincial Crowns (Atkinson, et al, 2012). Similarly, like the majority of Canadians, Saskatchewan residents also demonstrate considerable attachment to the public services they receive — particularly public healthcare and public education.

Given the historic and consistent level of public support for Crown enterprises and public services, it is not surprising that the issue of privatization evokes such strong reactions across the political spectrum and regularly takes centre stage in political campaigns. As our political history has amply demonstrated, in Saskatchewan electoral fortunes can be made or unmade on the issue of privatization alone.

Recent history provides an illustrative example. It is widely acknowledged that the Saskatchewan Party's failure to win the tight 2003 provincial election hinged on the Party's reluctance to completely rule out privatization of the Crowns during the campaign (McGrane 2008; Rayner and Beaudry-Mellor 2009). Premier Brad Wall himself admits this, conceding, "the biggest mistake the Saskatchewan Party has made in its ten years," was "not being clear enough on its stance on Crown corporations and not respecting the citizens' strong desire to keep them public" (Wall cited in Mandryk 2007a, A16).

Privatization would again loom large during the 2007 election. The NDP attempted to paint Saskatchewan Party leader Brad Wall as a "wolf in sheep's clothing," possessed of a hidden privatization agenda, while the Saskatchewan Party leader stated unequivocally, "Crowns are not going to be privatized and (subsidiaries) are not going to be wound down" (Mandryk, 2007b, B10; Hall, 2007, A8). As a result of privatization being the defining issue of the previous two provincial elections, University of Saskatchewan political scientist David McGrane argued that "things like privatization of Crown corporations and private healthcare delivery" may become "the third rail of Saskatchewan politics" — issues essentially too volatile to handle (Mandryk, 2007c, A1).

There is little doubt, given the political baggage that privatization carries, that politicians in Saskatchewan exercise extra caution when raising the issue. As *Leader-Post* columnist Murray Mandryk colourfully puts it, "Welcome to Saskatchewan where, if you are talking privatization, you best check out all the exits" (2014, A10). But has privatization become a figurative 'third rail' — too hazardous to even touch?

This study argues that despite all of the political recriminations and admonitions that have been expended on the issue of privatization in the past decade, Saskatchewan has actually witnessed an *acceleration* of the privatization of public assets and services over the last ten years. In what follows, we offer a detailed chronological history of what Law Professor Graham Hodge has referred to as "the privatization policy family" in the province from 2004 to 2015 (2006, 3).[1] We catalogue privatizations in all of its various forms, from the outright sale of Crown corporations and the sale of Crown subsidiaries to public-private partnerships (P3s) and the contracting out of public services to the private sector.[2] It is perhaps somewhat disconcerting that even in the face of marked public opposition coupled with a highly charged political environment where any proposed privatization should be subject to immediate and thorough scrutiny that privatizations have continued apace. How can we account for this apparent contradiction?

What becomes evident from the following chronology is that the majority of privatization initiatives undertaken over the past decade have targeted what could be characterized as more second-tier, less familiar public enterprises and services. Big-ticket public assets such as the four major Crowns or public services like healthcare delivery continue to be owned and delivered — for the most part — by the public sector. It is on the margins however, underneath and "below the radar," where privatization has been most acute. Certainly, Premier Brad Wall's recent foray into the possibility of a fully-privatized provincial liquor system and private, pay-on-demand MRIs may mark the beginnings of a more brazen and provocative privatization strategy on behalf of the government. Given that these two privatization "trial balloons" have elicited heated public debate and have generated vigorous opposition, it remains to be seen if Mr. Wall feels his government is prepared to venture into the privatization of public assets and services that have a much greater potential to generate public hostility. Nevertheless, it may be too early to tell whether Mr. Wall has indeed abandoned his "under the radar," incremental privatization approach. What we do know, is that even in light of Mr. Wall's caution, the Saskatchewan government has amassed a substantial record of privatization since its election in 2007. In what follows we will offer a chronology of privatization initiatives in Saskatchewan over the past decade. In addition, we will situate the role of Crown corporations and public services within the Canadian political economy and investigate the strategies and tactics used to privatize them. Throughout the report, we include a few selected "vignettes" of recent Saskatchewan privatizations and their immediate consequences by invited authors. Peter Prebble, Director of Energy and Water Policy with the Saskatchewan Environmental Society and former Member of the Saskatchewan Legislature, looks at the increasing reliance on privatized electricity generation in Saskatchewan. Patricia Elliott, Assistant Professor of Journalism at the University of Regina, reviews the sale of the Saskatchewan Communications Network and Cheryl Stadnichuk, Research Officer for CUPE Saskatchewan, examines the government's recent decision to privatize hospital laundry in the province.

Crowns and the Economy

As Sylvia Fuller observes, throughout our history as a country, Canadians have collectively owned land and infrastructure such as canals, highways, schools, ports, airports, parks, government buildings and other public assets (2002, 6). Canadians have also shared ownership in commercial enterprises, what have more commonly been referred to as "Crown corporations." Federal Crown corporations such as the CN Railroad, the Canadian Broadcasting Corporation, Petro-Canada, Air Canada and provincial Crowns like hydro utilities have played a key role in the development of both national and regional economies. During periods of weak or timid private sector investment, Crown corporations "undertook tasks that the private sector was either unable or unwilling to accomplish and provided a strong local entrepreneurial tradition that continues to be important to this day" (Ibid, 6).

Indeed, in certain areas of the economy, public ownership makes the most economic sense, particularly in cases where a single supplier model is the most efficient or where essential services must be provided without fear of interruption.

Sectors such as electricity transmission, water, and other utilities have traditionally come under public ownership:

> "Often designated as 'natural monopolies,' it is difficult for entrepreneurs to enter such markets because operations tend to be highly capital-intensive and require specialized skills and technology as well as a high degree of co-ordination. Because of this, services in these sectors can often be provided more efficiently and cost effectively through a single corporation than through competition (for example, it makes no sense to have multiple electricity grids). Government ownership helps ensure the corporations do not take advantage of their monopoly position to gouge consumers and realize super-normal profits" (Ibid, 6).

SaskPower head office in Regina

Public ownership is also preferable when delivering essential services. Writing in the context of power failures in Auckland, New Zealand following the privatization of electricity, journalist Will Hutton wrote:

> "Electricity is not a commodity like a designer dress where an interruption of supply poses no wider consequences; it is a precondition for successful modern life. If the owner of the power and distribution system fails to maintain supply and so loses revenue, this is not just an issue for the shareholders of the enterprise. It is an issue for everyone. In economic terms, electricity is a public good. This means electricity companies — like water, gas and rail companies — cannot be run on the same commercial terms as firms in markets

where there are many suppliers and the consequences of poor decision-making are restricted to the firms themselves" (cited in Fuller, 2002, 7-8).

Public ownership also makes sense where large-scale capital investments in energy, transportation, or communication infrastructure are necessary. Because the government enjoys a better credit rating than private corporations, Crown corporations can borrow money at more favourable interest rates and can finance such projects more cheaply than the private sector. Public ownership also shares the risks and equalizes the costs of such important investments among all those who benefit from them. Citizens similarly share the benefits derived from such investments. Rather than seeking to maximize shareholder profits, Crown corporations try to guarantee access to their services at the lowest possible cost. For instance, Saskatchewan Government Insurance (SGI) provides the lowest auto insurance rates in the country, while SaskEnergy offers the lowest costs for natural gas in all of Canada (Kusch, 2014). Moreover, when Crown corporations have particularly profitable years they may also provide rebates to customers or return revenue to the public purse, such as when Crown dividends have been used to balance the provincial budget (Mandryk, 2013b, A10).[3]

Because they are accountable to the public as a whole, Crown corporations' economic focus is much broader than that of private corporations that must maximize short-term profitability. Crown corporations can consider the economic effects of their operations on local economies and the province as a whole when making strategic decisions. Crown policies such as local hiring preferences, local procurement practices or community investments are some examples.[4]

List of Saskatchewan Crown Corporations

Treasury Board Crowns

Global Transportation Hub Authority (GTHA)
Municipal Financing Corp
SaskBuilds Corp
Sask Liquor and Gaming Authority
eHealth Saskatchewan
Financial and Consumer Affairs Authority
Physician Recruitment Agency
Sask Research Council
Water Security Agency
Sask Crop Insurance Corp
Tourism Saskatchewan

CIC Crowns

Crown Investments Corp
Sask Gaming Corp
SaskEnergy
Saskatchewan Opportunities Corp (SOCO)
Saskatchewan Government Insurance (SGI)
SaskPower
SaskTel
Sask Transportation Co.
SaskWater

Agencies/Boards/Commissions

Sask Archives Board
Sask Arts Board
Sask Assessment Management Agency
Sask Human Rights Commission
Sask Legal Aid Commission
Sask Municipal Board
Sask Pension Plan
Sask Workers' Compensation Board

Social and Environmental Role

Beyond the important economic development function of Crown corporations is the positive social mandate they perform. When it comes to basic human needs, the free market often falls short. In recognition of this, governments directly subsidize some primary needs such as healthcare and education. Crown corporations offer another mechanism by which other important basic services such as home heating, electricity or transportation can be subsidized, affording greater access (Fuller, 2002, 10). Indeed, unlike private corporations that can only offer services that remain profitable, Crown corporations can equalize access to services by ensuring that under-served communities and groups have access to necessary services. For instance, the more profitable high-volume routes in the Saskatchewan Transportation Corporation bus system help subsidize service to smaller, rural population centres. Crowns also contribute to the social fabric by providing Saskatchewan communities with good jobs. Saskatchewan Crown corporations employ over 11,700 permanent and non-permanent workers, representing over 2 percent of the total Saskatchewan workforce (Elliot, 2014, 4). Moreover, diversity hiring ensures that Crowns remain an important source of employment for marginalized groups. For instance, the rate of Aboriginal employment in Saskatchewan Crowns is 11.8 percent, whereas Aboriginal peoples make up just 8 percent of employed persons in Saskatchewan's total workforce. (Ibid, 18-19). In addition, the transfer of Crown dividends — $361.4 million in 2013 — to the Saskatchewan government's general revenues helps to pay for social programs and social policies that benefit all citizens (CIC, 2013, 2).

Saskatchewan Transportation Corporation (STC) bus, 1960s

An increasingly important and often overlooked advantage of Crown corporations is their unique ability to address environmental issues and concerns. As Naomi Klein argues, there is a "clear and compelling relationship between public ownership and the ability to get communities off dirty energy. Many of the countries with the highest commitments to renewable energy are ones that have managed to keep large parts of their electricity sectors in public (and often local) hands" (Klein, 2014, 99). This is due to the fact that Crown corporations are not solely confined to the narrow short-term imperatives of profitability that can constrain private sector efforts to promote environmental conservation and sustainability. With climate change fast becoming the defining issue of this generation, the ability to direct state-owned energy firms such as a SaskPower or SaskEnergy to make long-term investments in renewable and sustainable energy technologies — regardless of short-term profitability — will be invaluable to efforts to reduce provincial carbon emissions.[5] Moreover, as mitigation of the consequences of climate change — such as drought, flooding, etc. — becomes increasingly prevalent, the ability of our provincial Crowns to innovate, develop and coordinate the province's shifting infrastructure and service needs will be essential to our ability to navigate the coming climate crisis.[6]

The Gradual Shift to Private Electricity Generation in Saskatchewan

By Peter Prebble

Over the period 2008 to 2014, the Government of Saskatchewan has taken a gradual, but steady turn away from public ownership of Saskatchewan electricity generation facilities, by entering into agreements for the construction and operation of three privately owned power stations that are now part of the grid system, while contracting for a fourth that is yet to be built.

Premier Brad Wall's government began with privately owned arrangements for mid-size power plants, starting with the 26 MW (megawatt) Red Lily Wind Power facility near Moosomin, Saskatchewan, which is owned by Concord Pacific Group, a Canadian residential developer and real estate investment firm based in Vancouver, B.C. The Red Lily wind farm came on line in February 2011.[1] That was followed later in 2011 by the opening of an 86 MW privately owned natural gas-fired power station near Esterhazy, Saskatchewan. Known as the Spy Hill Generating Station, it is owned and operated by Ontario-based Northland Power Inc. and supplies peaking power to the SaskPower grid. While both these mid-sized power plants opened in 2011, the planning and construction process for them began much earlier in the government's first term.

In February of 2012, at the beginning of Premier Wall's second term in office, the Minister of SaskPower announced that the public utility had signed an agreement with Windelectric Inc., a subsidiary of Algonquin Power and Utilities Corporation based in Oakville, Ontario, to build and operate a much larger private facility — a 177 MW wind farm near Chaplin, Saskatchewan.[2] This 77 turbine wind farm is not yet operational, but is scheduled to begin supplying SaskPower with electricity in late 2016, in a contract that will span 25 years. Together with the Red Lily wind farm, and a small 11 MW wind power project near Gull Lake (owned by Suncor Energy Inc. and Enbridge Inc. and built in 2002), it will place the ownership of the majority of wind power in Saskatchewan in the hands of private corporations, with their head offices located outside the province.

The most recent and largest privately owned power project to come on line in the past six years was set in motion in February of 2010, when Premier Wall's government entered into another agreement with Northland Power Inc. — this time to have Northland build and own a $700 million power station in North Battleford, Saskatchewan.[3] The 260 MW natural gas-fired power plant, known as the North Battleford Generating Station, began operating in June 2013, and is supplying baseload power to the SaskPower grid under a power purchase agreement that will be in effect for 20 years.

The power purchase agreement has been controversial, not only because the North Battleford Generating Station is privately owned, but because SaskPower has far more experience with operating natural gas power plants than does Northland, and because the price that SaskPower is paying Northland Power for the electricity it provides remains confidential.[4] What is known is that SaskPower payments to Northland Power are being adjusted upwards as the price of natural gas rises, which it has done over the past year.[5]

The profit margin Northland Power is making on the North Battleford plant also remains confidential, but the fact that the price being paid for the electricity is being kept out of the public arena by the Government of Saskatchewan, suggests the public is very likely paying more for the electricity than they would if SaskPower owned and operated the facility. Northland Power Inc., for its part, has assured investors that "the contractual structure of the project is designed to ensure predictable, stable and sustainable cash flows over the entire 20-year term of the PPA" (Power Purchase Agreement).[6] Moreover, Northland Power reported a large increase in earnings in the months after its North Battleford Generating Station came on line.

Not every new electricity

The Gradual Shift to Private Electricity Generation in Saskatchewan

generation project during the past six years in which Premier Wall has held office is privately owned. However, over the course of Premier Wall's last 4 years in office, there has been an increasing trend toward favouring privately owned and operated power stations. This represents a significant shift in government policy.

Given the fact that SaskPower will need to replace some of its old generating facilities over the next 10 years with new power plants, and given the rapid growth in demand for electricity in Saskatchewan, the current government's preference for privately owned power stations could translate into a big change in how much of Saskatchewan's generating capacity the people of Saskatchewan actually own in the future.[7]

Public ownership in the electrical generation sector offers many advantages. It is an important vehicle for helping to ensure that Saskatchewan residents receive full benefits of the profits from power generation, and that jobs in power plant construction and operation are good paying, unionized positions that go to Saskatchewan people. It ensures proper coordination of various sources of electrical supply across the province. Moreover, SaskPower is a good employer, and a community minded utility, which plays an important role in actively supporting many not-for-profit organizations across the province. Lastly, public ownership of electrical generation gives the government a powerful vehicle to address environmental issues and concerns. The ability to direct state-owned energy firms such as a SaskPower or SaskEnergy to make long-term investments in renewable and sustainable energy technologies — regardless of short-term profitability — will be invaluable to efforts to reduce provincial carbon emissions.[8]

Peter Prebble is Director of Energy and Water Policy with the Saskatchewan Environmental Society and is a former Member of the Saskatchewan Legislature.

Public Services

Just as Crown corporations have offered a measure of economic protection to the province, so do public services offer us protections as citizens from the caprice of the free market. Universal public services offer us a measure of "social citizenship" insofar as they provide all Canadians with essential services — like universally accessible healthcare and public education — regardless of our ability to pay. Social citizenship implies an equality of status in the social realm, just as "political" citizenship denotes an equality of status in the political realm (Teeple, 1995, 50).

Indeed, as Colin Leys observes, many of the things that are primary requirements of a real genuine democracy are goods that markets either cannot or will not provide, such as general education, objective information, universally accessible media of communication, public libraries, public health and universal healthcare. Markets provide these things at best unequally, if at all, so they have to be provided collectively instead (Leys, 2003, 220).

Certainly, public services are profoundly democratic insofar as their "use and allocation are determined, at least in principle, through democratic decisions and common rights" (Laxer and Soron, 2006, 17). Conversely, privatization of public services can be viewed as profoundly anti-democratic as formerly public goods and services are removed from the public to the private sphere, whereby they are ostensibly removed from the "sphere of democratic accountability, answering not to the will of the people but to the demands of the market and profit" (Meiskens-Wood, cited in Ibid, 21). Certainly, issues of transparency and accountability have plagued privatization initiatives since their outset, as the very nature of turning a public service over to private control results in a fundamental tension between the concept of "open" government and the private sector's right to commercial confidentiality and protection of proprietary knowledge. While governments are usually statutorily required to conduct their business through open, transparent processes to ensure that they are accountable to their citizenry, private business are rarely — if ever — subject to the same degree of public scrutiny. For this reason, some commentators have raised concerns over the years that "an anti-democratic consequence of transferring the performance of government services to private entities might well be the 'cloaking' of previously accessible information and records," undermining the very notion of open and transparent government (Dilanni, 2011, 7).

Lastly, there is the enormous economic benefit that we as citizens derive from public services. Public services offer us tremendous value as taxpayers. According to economists Hugh Mackenze and Richard Shillington, Canadians enjoy an average $17,000 benefit from the public services that taxes fund — about the same amount a Canadian working full-time, full-year at the minimum wage would earn. As Mackenzie and Shillington argue, "for the vast majority of Canada's population, public services are, to put it bluntly, the best deal they are ever going to get" (2009, 6). Looking at Canadians in median income households, the benefit from public services amounts to $41,000 — equivalent to roughly 63 percent of their total income.

Overall, the average per capita benefit from public services in Canada in 2006 came to $16,952. Approximately 56 percent of that benefit comes from healthcare, education and personal transfer payments (Ibid, 3).

The Privatization Threat

Despite the obvious economic, social and environmental benefits that both Crown corporations and public services provide, they have nevertheless been under constant threat of privatization throughout the country over the past 30 years. Indeed, privatization has been a key component of the ideology of neoliberalism that became ascendant in Canada in the late 1970s and early 1980s. Broadly defined, neoliberalism "is an ideology that advocates an economic arena free of government regulation or restriction, including labour and environmental legislation, and certainly, free of government action via public ownership. It advocates a retreat from the welfare state's publicly funded commitments to equality and social justice" (Green, 1996, 112). Under neoliberalism, public enterprises are viewed as inherently inefficient in comparison to the private sector that is thought to be positively disciplined by the rigours of competition and profitability. Similarly, neoliberalism posits that public services — at least those that have not been eliminated in their entirety — can be more efficiently and cost-effectively delivered by the private sector. The point that needs to be emphasized is that under the neoliberal model, public enterprises and services are measured solely by the standards of business; a pure market calculus that does not concern itself with broader societal goals such as equity, access, sustainability or democracy. To paraphrase Hilary Wainwright, it is, in our view, fundamentally inappropriate to apply the logic of private business, based on maximizing profits, to the management of shared resources, both natural and social, and the meeting of social needs (2014, 3).

While Saskatchewan has perhaps demonstrated a more stubborn opposition to the privatization of public enterprises and services than other provinces, the threat of privatization is equally real here. As we have alluded to, even in the face of overwhelming public support, with pledges and promises by politicians of varying political stripes to defend these public assets and services, privatization in the province seems to only have accelerated. In what follows, we identify to the best of our ability, all major instances of privatization, public-private partnerships and outsourcing conducted by provincial governments in Saskatchewan over the past ten years — a time period when privatization has been suggested as akin to a "third rail" of Saskatchewan politics. As the following chronology demonstrates, the "third rail of privatization" within Saskatchewan political discourse appears to have done little to stem the flood of privatization initiatives unleashed over the past decade.

Legend


Identifies government announcements or legislation regarding privatization

Identifies the total or partial sale of public assets


Identifies formerly public services and/or goods outsourced to the private sector

Identifies public-private partnerships


Identifies provincial election

Privatization in Saskatchewan (2004 - 2015): Chronology and Timeline

2004

November 2004
The Saskatchewan legislature, with support from all political parties, passes *The Crown Corporations Public Ownership Act*, which would require a thorough study of any proposed privatization, including an analysis of the costs and benefits. A full report would then be tabled in the legislature and a legislative committee would debate the proposed sale, which could only come into effect after a general election. The legislation only applies to SaskPower, SaskEnergy, SaskTel, SGI, TransGas, STC, SaskWater, Saskatchewan Liquor and Gaming Authority and the Saskatchewan Gaming Corporation.

P3

November 2004
The NDP government spends $1.1 million to explore the possibility of forming a public-private partnership (P3) to replace its aging forest firefighting air fleet before ultimately discarding the idea.

2006

June 2006
The NDP government allows a private company — Victoria Park Capital — to manage the government's Investment Saskatchewan portfolio known as CIC III consisting of over $400 million worth of government assets.

2007

August 2007
The NDP government launches its "Wolf in Sheep's Clothing" advertising campaign that accuses Saskatchewan Party leader Brad Wall of harbouring a hidden privatization agenda.

SOLD

September 2007
The NDP government sells its $320 million stake in NewGrade Energy heavy oil upgrader in Regina. Premier Lorne Calvert insists the sale is not "privatization," because the proceeds of the sale will be used in a newly created public Green Future Fund to combat climate change.

September 2007
Saskatchewan Party leader Brad Wall unequivocally states that "Crowns are not going to be privatized and (subsidiaries) are not going to be wound down," after Saskatchewan Party MLA Dan D'Autremont makes public comments suggesting a Saskatchewan Party government would wind down Crown-owned subsidiaries that compete with the private sector.

2007

November 2007
Saskatchewan Party wins provincial election.

2008

January 2008
The Saskatchewan Party government creates a provincial public-private partnership (P3) Secretariat with a mandate to review all infrastructure projects over $25 million to be considered to be built as P3s. After nine months, the government disbands the P3 Secretariat determining there weren't enough large capital projects in the province to qualify as P3s.

May 2008
SaskTel contracts out some installation service of SaskTel Max and high-speed Internet services in homes to jump.ca.

June 2008
SaskPower initiates a request for proposals for private baseload power generation.

July 2008
The Saskatchewan Party government finalizes the sale of its share of SaskFerco to Norway-based Yara International for $783 million. Investment Saskatchewan has received more than $209 million in dividends since its original investment. The province invested $68.5 million in the company between 1989 and 1993.

October 2008
The Saskatchewan Party government announces its "Saskatchewan First" policy for Crown corporations. The policy will focus the Crowns on investing within Saskatchewan and not out-of-province. Where feasible, existing out-of-province investments will be divested although an exception to this policy will be permitted if the Government determines the investment supports in-province operations.

2009

March 2009
SaskTel outsources its e-mail and conference call services to an out-of-province private company.

April 2009
Saskatchewan Party government announces its plan to sell off 23 Ministry-owned and operated rental cabins at Greenwater Lake Provincial Park.

2009

October 2009
The Saskatchewan Party government releases its "Patient First Review" which advocates for greater private sector participation in healthcare delivery.

October 2009
The Saskatchewan Party government licenses the province's first private specialty wine stores.

October 2009
To comply with the government's "Saskatchewan First" policy, SaskTel sells Navigata—which provides voice, data and Internet services. A perennial money-loser, Navigata is sold for a mere $1.5 million.

November 2009
To comply with the government's "Saskatchewan First" policy, SaskEnergy sells its 50 percent stake in Heritage Gas—a Nova Scotia-based natural gas distribution business—for $73.3 million.

November 2009
SaskTel divests its remaining out-of-province holdings in DirectWest Canada in order to comply with the government's "Saskatchewan First" policy.

2010

February 2010
SaskPower announces that Northland Power Inc., a private power producer based in Toronto, has been chosen to provide 261 megawatts (MW) of power to the provincial electrical grid by 2013.

February 2010
The Saskatchewan Party government announces that more than 60 percent of its internal information technology work has been contracted out to private, for-profit companies.

March 2010
The Saskatchewan Party government announces its intention to sell the Saskatchewan Communications Network (SCN) — a Treasury Board Crown Corporation that specializes in educational television programming in the March Provincial Budget.

2010

May 2010
The Ministry of Health announces a pilot funding project for a 100-bed long-term care facility to be privately built, owned and operated by Amicus Health Care in Saskatoon. The funding arrangement closely resembles the P3 model.

June 2010
Health Minister Don McMorris announces that the Regina Qu'Appelle Health Region has put out a request for proposals seeking a "third party supplier" that could offer CT services in a publicly funded, private facility starting in 2011.

June 2010
Saskatchewan Party government completes sale of Saskatchewan Communications Network (SCN) to Bluepoint Investment Corporation, a privately owned Ontario-based business. Bluepoint will pay $350,000 for the physical assets and film and video assets of the educational broadcaster.

June 2010
SGI sells its shares in the Charlie Cooke Insurance Agency for $1,146,162. The sale was to remain in compliance with the out-of-province investment restrictions within the "Saskatchewan First" policy.

July 2010
The Ministry of Health releases its "Third Party Delivery Framework" for the contracting-out of day surgeries and diagnostic imaging to private health providers.

July 2010
The Saskatchewan Party government outsources responsibility for inspecting boilers, pressurized storage tanks, elevators, escalators, and amusement park rides. Government inspectors were transferred to the newly-created Technical Safety Authority of Saskatchewan (TSASK), a not-for-profit company with a strong industry presence on its board.

August 2010
Omni Surgery Centre — a private clinic — begins taking bookings for patients who are to undergo dental and arthroscopic knee surgery through the provincial government's Saskatchewan Surgical Initiative.

October 2010
The Saskatchewan Party government announces a contract with Saskatoon Surgicentre — a private surgical clinic — to provide publically funded day surgeries.

2010

October 2010
The Saskatchewan Party government merges the Milk Control Board, the government body which had overseen milk testing, with the Dairy Farmers of Saskatchewan to form the industry-run marketing board SaskMilk. Through SaskMilk responsibility for testing milk now rests with the milk industry.

November 2010
DirectWest—a subsidiary of SaskTel—sells off AgDealer, a specialty agricultural equipment publication, for $1.55 million as part of the "Saskatchewan First" policy.

December 2010
SaskTel sells Saskatoon Square building for $27.7 million as part of its divestiture of "non-core assets" as identified by the "Saskatchewan First" policy review.

2011

January 2011
SaskTel sells Hospitality Network Canada Inc. (HN) assets to PFM Capital Inc. of Regina for $36.6 million. The sale of HN complies with the provincial government's "Saskatchewan First" policy, which requires Crown corporations to divest themselves of assets that are not core to their business.

May 2011
Regina Qu'appelle Health Region (RQHR) begins contracting out 42,500 CT scans to Radiology Associates of Regina.

June 2011
SaskEnergy sells its 30 percent ownership of Gas Sur, a Chilean natural gas company, for $6 million. The sale is to comply with the "Saskatchewan First" policy.

June 2011
A private company advertises that it is leasing private seasonal campsites in Cypress Hills Interprovincial Park. The cost is $30,000 for a ten-year term. Services like cutting firewood, maintaining hiking trails and cleaning visitors' centres that were once provided by parks staff are being handed to private contractors.

September 2011
SaskEnergy announces the sale of SaskEnergy International's 40 percent interest in Igasamex, a Mexican natural gas distribution company for $17 million US as part of the Saskatchewan Party government's "Saskatchewan First" policy, in which Crowns are required to sell off their non-core, out-of-province assets.

2011

November 2011
Saskatchewan Party wins provincial election.

2012

February 2012
Saskatoon's privately operated surgical centre — Prairieview Surgical — begins taking patients as part of a three-year contract to perform 7,200 day surgeries per year.

April 2012
The Saskatchewan Party government publicly acknowledges that Ministry of Highways engineering services work is increasingly being contracted out to private consultants and that it plans to shut down the province's public engineering services labs.

October 2012
The Saskatchewan Party government creates a new Treasury Board Crown Corporation — SaskBuilds — which advocates public-private partnership (P3s) procurement approaches for large-scale infrastructure in the province.

November 2012
RQHR signs an extension to its private surgery contract with Surgical Centres Incorporated and a second contract with Aspen Medical Surgery Inc., an Australian-based for-profit clinic.

November 2012
Saskatchewan Party government privatizes Information Services Corporation (ISC), the Crown responsible for registration of land titles as well as personal property and corporations registry functions and certain vital statistics. The government sells 60 percent of ISC for up to $120 million. While initially not very profitable, in recent years the Crown corporation had returned dividends of $14 million and $15.5 million in 2010 and 2011 to the province.

November 2012
The Saskatchewan Party government begins private sale of Prairie Farm Rehabilitation Administration (PFRA) pasture land that was transferred back to provincial governments.

2013

February 2013
The Saskatchewan Party government announces that all future liquor stores in the province will be privately owned and operated. Premier Brad Wall promises existing public stores will remain publically owned.

2013

May 2013
The Saskatchewan Party government authorizes two new private liquor stores in Regina and two more in Saskatoon.

June 2013
Saskatchewan Party government outsources enforcement and compliance services at Saskatchewan Landing Provincial Park to Ghost Security.

P3

July 2013
The Saskatchewan Party government announces that the construction of a new long-term care facility in Swift Current will be built using a public-private partnership (P3) model.

July 2013
The Saskatchewan Party government contracts with a private company to undertake highway photo radar enforcement in construction zones.

P3

October 2013
The Saskatchewan Party government announces its intention to use a public-private partnership (P3) model for the construction of nine joint-use Catholic/public elementary schools in Regina, Saskatoon, Martensville and Warman.

SOLD

November 2013
The Saskatchewan Party government sells its 25 percent interest in the Meadow Lake Oriented Strand Board mill for $30 million.

December 2013
3S Health signs a 10-year contract with a private Alberta company (K-Bro) to launder the bulk of the province's hospital and health centre linens. Publicly run central laundries in Regina, Prince Albert, Weyburn, Yorkton and Moose Jaw will be replaced with a new privately operated laundry facility in Regina. The deal will cost 350 Saskatchewan people their jobs in publicly operated central laundries by the end of 2015.

December 2013
The Saskatchewan Party government transfers control of livestock brand inspection services from the Ministry of Agriculture to an industry-led, non-profit corporation, Livestock Services of Saskatchewan (LSS) Corporation.

2014

February 2014
Premier Brad Wall suggests that he wants the government to sell both Casinos Regina and Moose Jaw to the Saskatchewan Indian Gaming Authority (SIGA), but only if provincial NDP Leader Cam Broten supports a change to the provincial law protecting Crown corporations (*The Crown Corporations Public Ownership Act*).

April 2014
The Saskatchewan Party government announces that four public liquor stores will be privatized in the communities of Langenburg, Ituna, Ponteix and Kerrobert resulting in the termination of 12 unionized workers.

April 2014
The Saskatchewan Party government announces that a new integrated mental health rehabilitation hospital and provincial correctional centre in North Battleford will be built using a public-private partnership (P3) model.

May 2014
The Saskatchewan Party government announces that the construction of the $1.2 billion Regina bypass project will be built as a public-private partnership (P3). For the first time in provincial history, a private company will be responsible for the maintenance and operation of the highway over a 30-year period.

June 2014
Premier Brad Wall considers the wholesale privatization of the province's public liquor stores. Raises the possibility that liquor privatization may be a major campaign issue in the next provincial election.

September 2014
Regina Qu'Appelle Health Region outsources 5,500 MRI scans to Alberta-based Mayfair Diagnostics.

November 2014
The Saskatchewan Government releases its Green Paper, "Future Options for Liquor Retailing in Saskatchewan." The Green Paper asks citizens to consider five retailing options, including partial and full privatization of liquor retailing and distribution in the province.

2015

April 2015
The Saskatchewan Party government announces the expansion of Social Impact Bonds (SIB) to fund social programs. SIB are an alternative financing mechanism that allows private investors to invest and profit from selected social programs.

2015

May 2015
The Saskatchewan Party government proposes new legislation to allow individuals to pay-out-of-pocket for private MRIs.

August 2015
The Saskatchewan Party government privatizes correctional food services to Compass Group Canada for $8 million per year. More than 60 correctional employees will lose their jobs under the government's privatization plan.

Analysis

The above chronology demonstrates both the sheer number and diversity of privatization initiatives that have been undertaken by Saskatchewan governments over the past decade. Certainly, the "privatization policy family" has been well represented within government policy throughout the past ten years. While the NDP government under Lorne Calvert was not immune to flirtations with privatization, we witness a most pronounced acceleration of the number and type of initiatives under the Saskatchewan Party government.[7] This is despite multiple promises from Brad Wall that his party did not and does not harbour any sort of privatization agenda (see Hall, 2007a; Hall, 2007b; Hall, 2010). Indeed, Mr. Wall has claimed to be "frustrated" by accusations of a privatization agenda, adding, "I don't know where it's coming from" (Hall, 2010, A7). As the above timeline should make perfectly clear, Mr. Wall's government has a long and consistent record of privatization over the almost eight years of its administration. That some might construe such a record as a "privatization agenda" does not seem all that unreasonable or unjustified.

Given this record, one might wonder why the current government has not faced more public resistance. As we mentioned at the outset, Saskatchewan residents regularly demonstrate strong opposition to privatization. So why has there not been any significant public backlash to the now almost eight year privatization binge undertaken by the Saskatchewan Party government? Political columnist Murray Mandryk has suggested that the Premier's "patient and incremental" approach to privatization may have the effect of softening up voters for more aggressive privatization initiatives in the future (Mandryk, 2014b, A6). Indeed, Mandryk has proposed that the government's penchant for privatization of smaller, less consequential public assets—such as Information Services Corporation or rural liquor stores—could be a means for the government to "change the narrative about the need for Crown corporations in this province" and help establish a successful "privatization beach-head" going into the next provincial election (Mandryk, 2012, A6; Mandryk, 2014a, A6). Given the very real caution that politicians in this province have to exercise in regards to privatization, the government's incremental approach would certainly be politically astute. Furthermore, as we will see, it is also an approach that comes highly recommended by privatization advocates.

Selling the Saskatchewan Communications Network (SCN)

By Patricia Elliott

Going for the bargain basement price of $350,000, the sale of SCN in 2010 marked an unexpected end to the province's most significant long-term media development investment.

In 1972 the CRTC created a new class of license for educational TV, leading to the establishment of five provincial broadcasters: the Knowledge Network (BC), ACCESS (Alberta), SCN, TVOntario and Télé-Québec. In Saskatchewan, SCN's stated mandate was to serve as "as a regional public broadcaster, contributor to economic development through the film and video industry, and facilitator of access to information and education services in remote and rural areas of Saskatchewan."[1] The network was divided into three main services: distance learning; a provider of public satellite access; and regional public television. The broadcast arm was to be dedicated to reflecting Saskatchewan culture, being "the only network mandated to focus specifically on stories that address the issues and concerns of the province's population."[2]

But while SCN was finding its feet in the province of Saskatchewan, the currents of neoliberalism were sweeping across the rest of the country. Between 1994 and 1999, the other four provincial governments began to starve their respective broadcasters of funding. As provincial grants shrank, the networks began to beef up their schedules with purchased mass-market programs and on-air sponsorship announcements (advertising was forbidden under the educational license). This merely led to accusations of unfairly subsidized competition with private broadcasters, increasing the pressure on provinces to divest. In 1995, Alberta sold ACCESS for one dollar to a private consortium whose majority shareholder was the Ontario-based CHUM broadcasting group, which was later taken over by CTVglobemedia.[3] The remaining stations coped with reduced budgets mainly by turning to outsourced productions, saving costs on local program development.

By 2007, SCN was the only remaining educational broadcaster producing its own local and regional programs.[4] A mix of original children's shows such as *Wapos Bay*, groundbreaking short films such as *Out in the Cold*, and dramas like *Redemption, SK*, were well received by the public. A survey conducted in 2009 revealed steadily growing viewership and a healthy level of public support: 53 percent of respondents felt their tax contribution toward educational broadcasting was satisfactory, while 28 percent said it was too little, for a combined 81 percent in favour of tax-supported educational broadcasting.[5]

After a Saskatchewan Party government was elected in 2007, there were no immediate changes made to SCN's mandate and budget. Between 2006 and 2010, SCN's annual government grant held steady, ranging between $5.6 million and $6.2 million. Then, in the March 2010 provincial budget, with no prior public consultation or forewarning, the Wall government unexpectedly announced its intention to sell SCN's broadcast arm to the private sector, stating, "SCN's viewership is quite low and we

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feel there is no longer a role for government in the broadcast business."[6]

In the midst of vocal public protests, Saskatchewan Federation of Labour (SFL) president Larry Hubich wrote an open letter to Premier Brad Wall requesting time to prepare a community-sponsored bid for the broadcaster. The letter sought 60 days for the SFL to contact its 37 affiliates, labour-sponsored venture capital funds, the credit unions, and SCN employees for the purposes of preparing a bid. "Please don't wipe SCN off the map until we can develop a plan to retain vital cultural human resources in Canada," Hubich's letter concluded.[7]

The plea had no effect; the station was sold in June to Bluepoint, a private company wholly owned by Bruce G. Claasen, for $350,000. A condition of sale was Bluepoint's commitment to spend $1.75 million per year on local program production, and that the period between 6 a.m. and 3 p.m. remain dedicated to commercial-free children's and educational programming.[8] In December, the CRTC approved the sale and authorized on-air advertising, previously prohibited, during non-educational programs.[9]

Just two years later, citing financial duress, Claasen sold SCN to Rogers Broadcasting for $3 million, a price more than *8.5 times higher* than what he had paid for the channel.[10] In its application to the CRTC, Rogers asked to be relieved of the $1.75 million commitment to local programming, and to use the SCN signal to broadcast its Toronto-based CityTV station.[11] In June, 2012, the CRTC approved the sale; instead of $1.75 million annually, Rogers was ordered to spend 23 percent of gross revenues purchasing from local TV producers, and to commit to an additional $1 million toward local productions by 2018. As well, the station was ordered to retain commercial-free educational broadcasting between 6 a.m. and 3 p.m.[12] With these commitments, the company received permission to transform SCN into CityTV.

While these conditions helped retain morning children's programs, the station's overall intent was clearly changed under private ownership. Prior to the sale, SCN's website prominently featured made-in-Saskatchewan productions, and provided information to citizens and filmmakers about how to contribute their ideas and films. Prime-time programs in 2009 included independent dramas and documentaries, short films created by SCN viewers, and shared APTN broadcasts. In contrast, the July 31, 2013 home page featured *Wipeout*, a US game show, *America's Got Talent*, a US reality/variety show, *Hell's Kitchen*, a US reality show, *The Bachelorette*, a US reality show, and a rotating ad banner. Citizen participation was reduced to a single web poll question: "What show are you most excited about in the fall?" followed by a choice of US network programs. The evening's program schedule revealed a complete absence of Saskatchewan productions, with US network reality shows and sit-coms taking up the prime time slots and Canadian documentaries shifted from prime time to late evening.

The transformation within a few years was astounding. The sale of SCN surrendered valuable physical assets to private investors on the cheap. Further, the public's collective investment in made-in-Saskatchewan stories and talent all but disappeared beneath a tidal wave of profit-seeking American entertainment.

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The Privatization Strategy

E.S. Savas — sometimes called the father of American privatization — observes that privatization is "more a political than an economic act" (Savas, 2000). As Feigenbaum and Henig remind us, by shifting responsibilities from government to the market, privatization can fundamentally alter the institutional framework through which citizens normally articulate, mediate, and promote their individual and shared interests. "Some groups in a more privatized arena would find their interests more clearly defined and more readily promoted; other groups would find the opposite. Because of these consequences, privatization is an intensely political phenomenon and ought to be analyzed as such" (1994, 186). Because privatization is recognized as highly political, it should not be surprising that its proponents direct a significant amount of attention to strategies and tactics for successfully implementing a privatization agenda.

Madsen Pirie — a key strategist of privatization during the Thatcher years in the UK — advises privatization advocates to "maximize their chances of success" by steering clear of popular public assets during the early phases of privatization and instead privatize "the easy ones first" (1988, 12). Pirie further counsels using the success and popularity of early privatizations to "gain support" for more difficult and unpopular privatizations in the future. Certainly the actions of the current government — privatizing marginal Crown entities like ISC and smaller public assets like rural liquor stores — mirrors this approach. Indeed, Mandryk muses whether this is not the Premier's ultimate goal:

> "Wall would be fully aware that he has gone about as far as he can with any small, 'incremental' changes. This would seem to be about more than ISC or a few new private liquor stores. Otherwise, why would Wall bother? So what else might be in play for Wall and the Sask. Party? SGI? SaskTel? Even SaskPower or SaskEnergy?" (Mandryk, 2013, A8)

Another strategy to privatize in a politically polarized environment is through "load-shedding." According to University of Sydney Business Professor Sue Newberry, this is primarily a "passive" privatization strategy used to avoid potentially bruising ideological battles (Newberry, 2008). As Savas explains,

> intentional "load-shedding" is where government facilitates private sector expansion into a field currently occupied by a Crown corporation by "restricting and even shrinking the size and resources of the state enterprise." Savas cites a government official from Thailand who calls this strategy the "bonsai approach." A government deprives the Crown corporation of expansion money and/or operating funds, thereby retarding its growth. "By depriving the [Crown] of water and nutrients, and pruning back any visible signs of growth, the private sector competitors are tacitly encouraged to grow and take over the garden" (1989, 350). Ultimately, the neglected Crown is allowed to "die on the vine" in this rather colourful metaphor.

Such an approach is similar to the BC Liberals' alleged "Failure strategy" for BC Rail. In that instance, the BC Liberals were accused of falsely portraying "BC's oldest Crown corporation as a financially distressed, money losing enterprise so as to make its subsequent sale palatable to the public" (McMartin, 2010). Former BC Rail president and CEO Mark Mudie further alleged that other top executives intentionally set out a poor business plan for the railway in hopes that it would fail, "to convince the government of BC that there is no option but to sell the railway" (Mickleburgh, 2010). The Saskatchewan government's current "Saskatchewan First" policy, which has imposed constraints on the ability of the Crowns to expand the scope of their business, along with the government's penchant for raiding the Crowns for dividends could certainly be construed as a load-shedding operation. Indeed, University of Saskatchewan Law Professor Heather Heavin questions the "Saskatchewan First" policy, asking "If investing outside the province is not an option and investing inside the province will only be allowed if there are no other private investors interested in a particular project or business venture, what's left for the Crowns? High risk, low return projects?" (Heavin, 2008). Similarly, the editorial board of the *Star-Phoenix* called the "Saskatchewan First" policy "ideologically driven and harmful to the interests of citizens," as it will "hamstring the companies to the point that their long-term viability is put at risk" (*Star-Phoenix*, 2008). More bluntly, Murray Mandryk wondered if the policy was designed to produce "barely profitable entities ripe for privatization" (2008, B6).

Further reducing the viability of Saskatchewan Crowns is the current government's incessant raiding of dividends to the point that jeopardizes the ability of Crowns to make much-needed investments in infrastructure and innovation. For instance in 2012, SaskTel's CEO Ron Styles conceded that the government's 90 percent taking of the Crown's profits as a dividend would move SaskTel's debt-to-equity ratio, currently at 37 percent, into the high 40s. The company's debt, which is roughly $432-million, could reach $750-million to $800-million by 2017 or 2018 (Trichur, 2012). As we have seen demonstrated time and time again, high Crown debt loads are regularly used as a primary justification for privatization. Past high profile privatizations — such as BC Rail, Manitoba Telecom and the Potash Corporation of Saskatchewan — were all rationalized due to their respective debt loads. We see the same argument currently playing out in regards to Canada Post, as privatization advocates point to the corporation's high debt as one of the grounds for selling the Crown to the private sector (MacDonald, 2013). The obvious and well-founded fear is that the constraints of the "Saskatchewan First" policy coupled with excessive dividend-taking will result in a weakened and depleted Crown sector particularly vulnerable to the arguments and rationales of the privatization lobby.

The Privatization of Hospital Laundry in Saskatchewan

By Cheryl Stadnichuk

Shared Services Saskatchewan, or 3sHealth, is a publicly-funded organization formed in April 2012 out of recommendations from the Patient First Report with a mandate to develop shared services in healthcare.

Its first major shared service project became an omen of a massive privatization agenda in healthcare. After a short review of provincial laundry, 3sHealth announced in May 2013 that it would close six regional laundry facilities and sign a 10-year contract with the private, Alberta-based company K-Bro Linens to build one facility in Regina to service the entire province.

The provincial government had been reviewing hospital laundry services for over 10 years, but never acted upon recommendations to build new facilities. The closure of the Saskatoon Health Region's laundry facility in the fall of 2011 after a major health and safety incident added urgency to the need to replace aging infrastructure.

3sHealth's announcement to completely privatize hospital laundry shocked laundry workers and their unions, who only had two hours' notice. The business case prepared by 3sHealth recommended that the province build two new public laundry facilities — one to service the north and one for the south. The final Evaluation of Options, however, which analyzed public options against two private bidders, recommended to Cabinet that they give a 10-year contract to K-Bro Linens.

That K-Bro Linens was in the running for a contract with the province was no surprise. The company has aggressively pursued laundry contracts with formerly public services in Calgary and several health regions in BC. About 68 percent of K-Bro Linens' $136 million in revenues in 2014 came from public health contracts.

In fact, it appears that K-Bro Linens was so confident that it would win the provincial contract for laundry that it was looking for a pliant union before the tender had even closed. The Saskatchewan Federation of Labour received a copy of a proposed 10-year collective agreement that K-Bro had been shopping around to various unions, trying to find a union willing to agree to poverty-level wages. The agreement was dated August 2, 2012 — nine months before the government announced K-Bro was the successful bidder and 20 days before the tender closed.

The government has claimed it will save $97 million over 10 years with the K-Bro contract but this figure is misleading because it is in comparison to the existing five plants and not to the most cost-effective public option of two laundry facilities.

A deeper analysis of the claimed savings calls in to question any net economic benefit to the province. Relying on one private plant to service the entire province also creates substantial risks to the health system and the province's finances.

Economists from the University of Winnipeg analyzed the business case for laundry privatization and concluded that the long-term net impact of privatization will be negative for the province. They found that the

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short-term savings to the province are between $13 and $18 million over 10 years — not $97 million.

These savings, however, do not take into account the economic impact of the loss of almost 350 public laundry jobs estimated to reduce labour income by $89.3 million over 10 years. For a small city like Prince Albert, where the laundry facility is a major employer, the privatization of laundry will lower regional income by $3.7 million annually.

The loss of provincial labour income with laundry privatization is not just the result of reducing the number of laundry facilities to one with fewer workers. Overall provincial income and the economic spin offs will be also be reduced because of the low wages K-Bro pays its workers.

A key part of the K-Bro proposal is to radically lower wages and employ fewer workers. 3sHealth's business case assumed 131.6 workers are required to operate a new, public state-of-the-art facility at an hourly wage of $18 to $20. The wage rate K-Bro plans to pay is not publicly disclosed but they claim a total annual wage bill of $2.2 million. Assuming that one private plant would use the same workforce, the economists calculated that if K-Bro hired 131.6 workers for $2.2 million a year, it would mean paying them only $8.35 an hour — well below the legal minimum wage. This implies that K-Bro plans to hire only 84.6 workers in their plant, about two-thirds of the workforce deemed necessary to operate a similar public plant.

In addition to a flawed cost analysis, the province faces great risks of being a "price taker" at the end of the 10-year contract as it will have lost expertise in laundry and be negotiating with a private monopoly. It appears this is what happened in British Columbia where health region payments for private laundry contracts grew by 170 percent since 2007.

Knowing the price escalator terms in the contract is key. When CUPE filed access to information requests for a copy of the K-Bro contract from the Ministry of Health and five health regions, however, they all replied that they did not have a copy. After an appeal, the Saskatchewan Information and Privacy Commissioner said the contract should be disclosed and the union got a copy in August 2015.

By the fall of 2015, the new laundry plant will open. There is no guarantee, however, that K-Bro will be able to attract workers to do the heavy, demanding jobs in the plant at wages barely above the statutory minimum. In Alberta, K-Bro uses Temporary Foreign Workers "to mitigate labour shortages" in its plants.

By contrast, the president and CEO of K-Bro Linens had total compensation of $1.55 million in 2014 and the company paid out $8.5 million in dividends to its shareholders. Its top five executives earned $3.3 million in 2014, not counting stock options.

The privatization of hospital laundry illustrates the real cost of privatization: public sector workers lose decent jobs and are replaced with low wage workers while public dollars are funneled into shareholders' profits and high executive salaries.

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The Privatization Backlash: In-sourcing and Remunicipalization

Despite the very real concerns outlined above, it is worth noting that in many respects, Saskatchewan's current fetish with privatization stands in stark contrast to the prevailing trend in the rest of the world. Indeed, privatization is increasingly facing a popular backlash across the globe as citizens — weary of the failed promises of privatization — have returned privatized assets and services to public ownership and control. Variously described as "re-municipalization" or "in-sourcing," these initiatives to regain public control over privatized assets and services have sprouted up across the globe. In the United States — where an estimated $1 trillion of America's $6 trillion in annual federal, state, and local government spending goes to private companies — a fifth of all previously outsourced services have been brought back in-house. Research found that the primary reasons for "in-sourcing" were a "failure to maintain service quality by the outsourced contractor (73 percent) and a failure to achieve cost savings (51 percent)" (Wainwright, 2014, 5).[8] In the United Kingdom, over half of 140 local councils surveyed in 2011 were bringing services back from the private sector (Ibid, 5). The *Financial Times* suggests that "local [UK] authorities have grown skeptical about the savings outsourcing can deliver, as well as fearing a backlash against private companies making large profits from the taxpayer" (Plimmer, 2013).

In continental Europe the trend is the same. In France, the cities of Paris, Nice, Grenoble, Montpellier, Rennes, Brest and others have all re-muncipalized their water service (Lobina and Hall, 2013). In Germany, there has been a major expansion in the public ownership of utilities in the past few years. By 2011, the majority of energy distribution networks had returned to public ownership. Hilary Wainwright further explains:

> "Many German public authorities are bringing services such as waste disposal, public transport, water, social care and social housing back in-house, not only to give better value for money but to help meet important social and environmental objectives. Similar trends are evident in Finland, the Netherlands, Norway and Belgium" (2014, 5).

Around the world, cities as diverse as Buenos Aries, La Paz, Tblisi, Dar es Salaam, and Johannesburg have all determined that re-muncipalization is preferable to continued private control of their respective municipal water systems (Lobina and Hall, 2013). The same trend is equally discernable here in Canada. Recently we have seen the return of para-transit services and a recreational complex to public hands in Ottawa, solid-waste collection in Port Moody and Saint John, water and sewer in Port Hardy, a maximum-security super jail in Penetanguishene and water and wastewater services in Hamilton to name just a select few.[9]

As in other examples of re-municipalization, the reasons cited for returning these assets and services to public control have included lack of cost savings, reduced accountability and diminished service quality. Certainly, the main driver behind the desire to publically reclaim privatized assets and services appears to be that the promises of privatization — that the private sector could consistently deliver lower-cost, yet also higher quality and more responsive services than the public sector — have failed to materialize for many communities. Indeed, as communities re-assert control over their public services, new research is revealing a host of problems associated with privatization that have been rarely acknowledged by privatization's champions.

The Record of Privatization: Promises Unfulfilled

Much of the initial push for privatization and other forms of contracting-out was driven by the belief that the private sector, disciplined by the competitive marketplace, could deliver higher quality goods and services more cost effectively than the government. While reducing costs is most often the motive for privatization, a growing body of research documents that savings are actually minimal on average. It is also not unusual for total costs to be greater when performed by private contracting firms versus that of the public sector. In addition, issues with quality, control or accountability are common, if rarely acknowledged, problems when services are outsourced (Greenwood, 2014).

What we are now learning is that many of the free-market assumptions built into the arguments for privatization were erroneous and inconsistent with the realities of public service provision. For instance, for privatization advocates, competition is the key to ensuring that private contractors deliver the highest quality service at the lowest possible price. However, the delivery of public services does not occur in a pure market environment, meaning the disciplinary market mechanisms that are supposed to effectively regulate private providers of public services often do not exist. For example, while there is often initial competition between bidders for government contracts, over time other businesses become reluctant to bid against a long-time incumbent contractor — who may be believed, rightly or wrongly — to possess "the inside track" (Greenwood, 2014; Van Slyke, 2003).[10] Moreover, as governments privatize they tend to downsize their workforces as well, losing the institutional knowledge and expertise to effectively administer these programs should the need arise to take the program or service back "in-house." This further erodes any hint of competition as the private contractor becomes virtually "indispensable" to the continued delivery of the service. This may account for Greenwood's finding that any initial savings attributed to privatization tend to erode over the long-term, as the private contractor achieves a "virtual monopoly" over time (2014, 31). A further consequence of the loss of institutional knowledge and expertise through privatization is the inability to properly monitor private contractors and hold them accountable. Without the capacity to enforce compliance with contract specifications, the incentive for the private contractor to meet the terms of the contract becomes all the more diminished. Moreover, even when the public sector maintains the capacity to effectively monitor contracts, the costs of ensuring contract compliance can very often negate the promised cost-savings of outsourcing in the first place (Ibid, 30).

Finally, perhaps the least acknowledged cost of outsourcing and privatization, but maybe the most concerning, is the loss of control over public policy decisions. For instance, legal scholar Ellen Dannin observes that most infrastructure privatization contracts contain "adverse action" terms and "noncompete agreements" (2012, 4).

These requirements compel governments to compensate private contractors whenever government actions lower the contractor's anticipated revenues. For example, when the state of California allowed a contractor to build and operate express toll lanes, the state agreed, "to forego repairs and even upkeep in parallel lanes — so as not to risk competing with the profitability of the contractor" (cited in Greenwood, 2014, 33). Dannin offers further examples of these types of clauses:

> "Examples include requiring that a highway contractor receive adverse action compensation for lower levels of traffic because a government promotes carpooling; for revenue lost from parking meters as a result of closing streets for festivals or repairs … 'Noncompete' provisions can take many forms and can even require government agencies to create conditions that cause 'competing' roads to be congested or otherwise slow traffic. They may also prohibit development of needed infrastructure for the life of the contract" (2012, 4).

These contract terms raise troubling issues for governance. These types of clauses effectively penalize future governments for enacting certain public policies. We can imagine a scenario where a highway contract that guarantees a certain level of use could prevent or penalize a whole host of alternative transportation initiatives — such as rapid transit, bike sharing or walkable cities — because they are explicitly designed to take cars off the road. We must seriously question the wisdom of a process that so fundamentally compromises our democracy by essentially obstructing the enactment of the public will.

Saskatchewan's Transparency and Accountability Problem

By Simon Enoch

The first victim of Saskatchewan's most recent foray into privatization has been the rapid deterioration of mechanisms of transparency and accountability. As we mentioned at the outset, issues of transparency and accountability have plagued privatization initiatives since their beginning, as the very nature of turning a public service or asset over to private control results in a fundamental tension between the concept of "open" government and the private sector's right to commercial confidentiality and protection of proprietary knowledge. While governments are usually statutorily required to conduct their business through open, transparent processes to ensure that they are accountable to their citizenry, private business are rarely — if ever — subject to the same degree of public scrutiny.[1] In this battle between the public's right to know versus the private sector's right to confidentiality, the clear winner in Saskatchewan has been the private sector. Public access to vital information on details of privatization and public-private partnerships in the province has been routinely denied due to claims of "commercial confidentiality," "trade secrets" and/or "proprietary knowledge."

For instance, in December 2013, 3sHealth signed a 10-year contract for all hospital laundry services in the province with Alberta-based K-Bro Linen Systems Inc. While the government claims the privatization will save millions of dollars, requests to access information verifying these claims have been hindered at nearly every step. Both 3sHealth and K-Bro Linen initially refused to fully disclose the agreements claiming the information was a "trade secret" and that its disclosure would cause economic harm.[2] Even more disturbing, 3SHealth — which is entirely funded by public money — is allowed to maintain "third-party status," essentially shielding it from Access to Information requests. That an agency — fully funded by government and responsible for the administration of public healthcare — can maintain a private third party status that enables it to skirt freedom of information laws is a troubling development that illustrates the inherent dangers of privatization to government transparency. Fortunately, after months of delays, a recent decision by the Saskatchewan Information and Privacy Commissioner has recommended the full contract with K-Bro be released and that 3sHealth be categorized as a "health organization" in order to render it more transparent and accountable. However, many of the government's other privatization and P3 deals remain mired in secrecy. Requests to access information regarding the government's business case to privatize food services at provincial correctional facilities were refused based on commercial confidentiality. Access to the details of Value-for Money reports for the province's massive P3 school-build are also regularly redacted in order to protect the

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private partner's "proprietary knowledge." These private entities are performing the functions of government, paid for with public money. They should not be allowed to perform these crucial public functions outside the purview of public scrutiny that the rest of government is subject to.

An equally important aspect of transparency that has suffered due to privatization in Saskatchewan is the monitoring and oversight of private contracts. Even the most resolute advocates of privatization concede that precise contract language and rigorous monitoring and oversight are necessary to protect the government and the public interest. It is therefore all the more troubling that effective oversight appears to be one of the first casualties of privatization. In a detailed study of state and local privatization initiatives in the United States, the General Accounting Office (GAO) found that while officials recognized the need for enhanced monitoring, "officials from most governments said that monitoring contractors' performance was the weakest link in their privatization processes."[3] The difficulty is that privatization initiatives are almost universally seen by governments as cost-saving exercises, permitting the reduction or elimination of permanent staff in the area being contracted out. The added administrative costs of enhanced monitoring and oversight are seldom considered as part of the actual cost of privatization.[4] Moreover, the loss of staff often means that institutional knowledge related to an agency's mission and contracting history are lost, and the burden of contract management is spread among fewer and less experienced staff.[5] Privatization thereby has the perverse effect of undermining the very accountability that it requires. In Saskatchewan, this effect can be witnessed in the government's roadbuilding and road maintenance contracts. A review of contracts between the Ministry of Highways and Infrastructure and various private contractors found routine failures on the part of the government to use its own accountability measures. In 100 percent of the contracts studied, no performance deposit was required. In 98 percent of the contracts, there was no specified penalty for late work. 42 percent had no detailed pricing breakdown, 37 percent left details of work open-ended, while 16 percent had no contract completion date.[6] The Ministry also appears unable or unwilling to collect data on its private contracts. A CBC News investigation found the Ministry unable to answer basic questions regarding its contractor's operations, sometimes supplying incorrect information altogether.[7] Precise contract language, with specific performance measurements and outcome criteria, along with routine data collection to judge performance are essential for effective contract oversight. On both counts, the Ministry of Highways has failed to institute the most basic of accountability measures, leaving the Saskatchewan public unprotected from potential abuse.

As the above demonstrates, privatization is more than just a debate about costs and efficiency. Increasingly, debates over privatization are equally concerned with privatization's impact on government transparency and accountability. As Ellen Dannin explains, "accountability in the process of public provision of services is more than just a tool to safeguard against corruption and cronyism. It can foster substantive public input and participation in public life."[8] By limiting or denying the information that citizens can access from their government, privatization erodes the ability of citizens to make informed policy choices and diminishes our democracy.

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Concluding Thoughts

On almost every front, privatization has failed to live up to its promise. It has not consistently delivered its much-vaunted cost-savings, it has not appreciably improved the quality of our public services, it has been cloaked in secrecy and confidentiality and can actually serve to constrain the scope of our democracy. Nevertheless, the Saskatchewan government—as we have been at pains to demonstrate—has been accelerating the number and the type of privatizations throughout the province over the past decade.

Saskatchewan has often been described as "next year country," a reminder of the perennial optimism of prairie farmers that things will be better "next year." On the privatization front, the Saskatchewan government is leading us into "last year country;" fervently implementing all aspects of the failed "privatization experiments" of the past while the rest of the world wakes up from their collective privatization nightmare and moves to reclaim ownership of their public services and enterprises for the future.

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Endnotes

1 Hodge considers privatization as a "broad family of techniques," the strongest threads being enterprise sales, contracting out of government services, public-private partnerships and private sector development strategy (See Hodge, 2006, 3-4).

2 Similar to Hodge, the Organization for Economic Co-operation and Development (OECD) defines privatization as the "transfer of ownership and control of government or state assets, firms and operations to private investors … Broadly used, the term privatization includes other policies such as "contracting out" that is, the process by which activities, while publicly organized and financed, are carried out by private sector companies, e.g., street cleaning, garbage collection, housing, education" (OECD, 2002).

3 In terms of revenues, Saskatchewan's Crown corporations are some of the best performers in the province. SaskPower, SGI, SaskTel and the SLGA are all in the top ten corporate revenue generators in the province.

4 The ability of Saskatchewan Crown corporations to continue such practices may be compromised by the terms of the New West Partnership which forbids preferential treatment for "local or domestic goods, services or suppliers" above a certain cost threshold ($25,000 for goods, $100,000 for services and construction). See "Guidelines to the Procurement Obligations of Domestic and International Trade Agreements, 2014." Available at: *www.newwestpartnershiptrade.ca/pdf/13-08-21_Procurement_Guidelines_final%20for%20distibution.pdf*

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6 We have already seen the value of the Crowns in regards to environmental mitigation in 2012, when the government announced it would take a $120 million "special dividend" in order to offset costs of the province-wide flooding that occurred in 2011. As climate change creates increasingly regular "once-in-a-life-time" weather events, the ability to fund infrastructure repairs through Crown dividends will be an important tool in the province's overall climate change strategy (See Kischuk, 2013, 154).

7 It should be noted that the NDP did engage in a rather robust privatization and divestment program during the Romanow government (1991-2001), including the sale of the government's remaining equity in the Potash Corporation of Saskatchewan, Sask Oil, Cameco and the Lloydminster Heavy Oil Upgrader, while Sask Forest Products was sold to MacMillan Bloedel in 1999. However, this is outside the purview of the present study (Evans, 2012, 75-76).

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