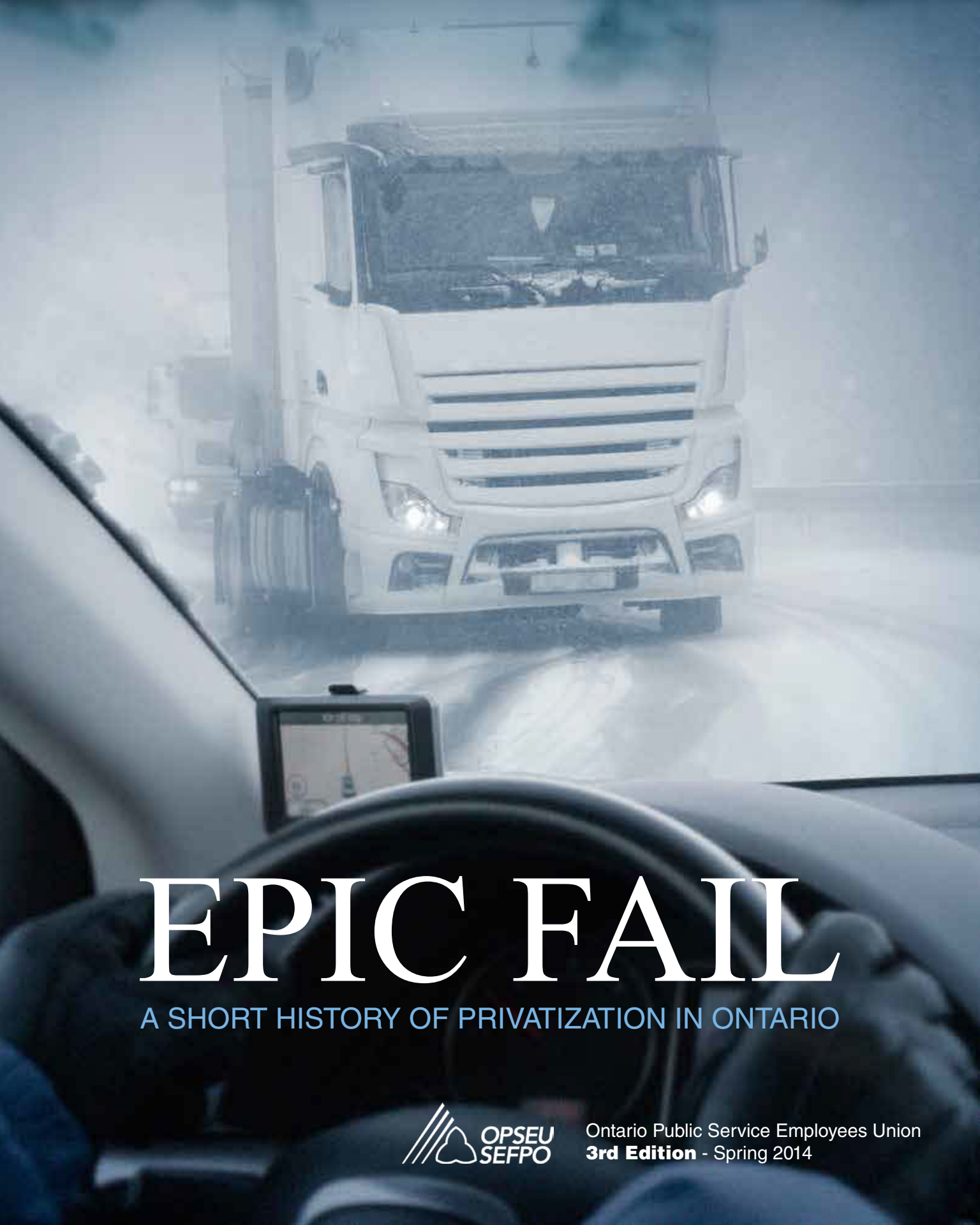


# EPIC FAIL

## A SHORT HISTORY OF PRIVATIZATION IN ONTARIO

OPSEU SEFPO
Ontario Public Service Employees Union
**3rd Edition** - Spring 2014

# A failed policy that just won't go away

**When it comes to value for money, no government policy of the last 20 years has a worse track record than privatization.**

Yet in Ontario, both PC and Liberal politicians have turned, time and time again, to the private sector to deliver public services. These politicians say that competition will drive efficiency, giving citizens better quality at a lower price.

That's the theory. The facts say otherwise.

We've seen how privatization works. From the contracting out of highway maintenance to the 2011 gas plant scandal, we now know that when it comes to private involvement in the public sector, something else besides competition is at work.

That something else is the profit motive. Without profit, private operators, or financiers, aren't interested in public service for its own sake. Giving someone's mother a bath, or guarding an accused murderer awaiting trial, or restarting your heart isn't something that the people I represent do for money. Sure, we get paid – everybody has to feed their family – but making money isn't the point. Public service is.

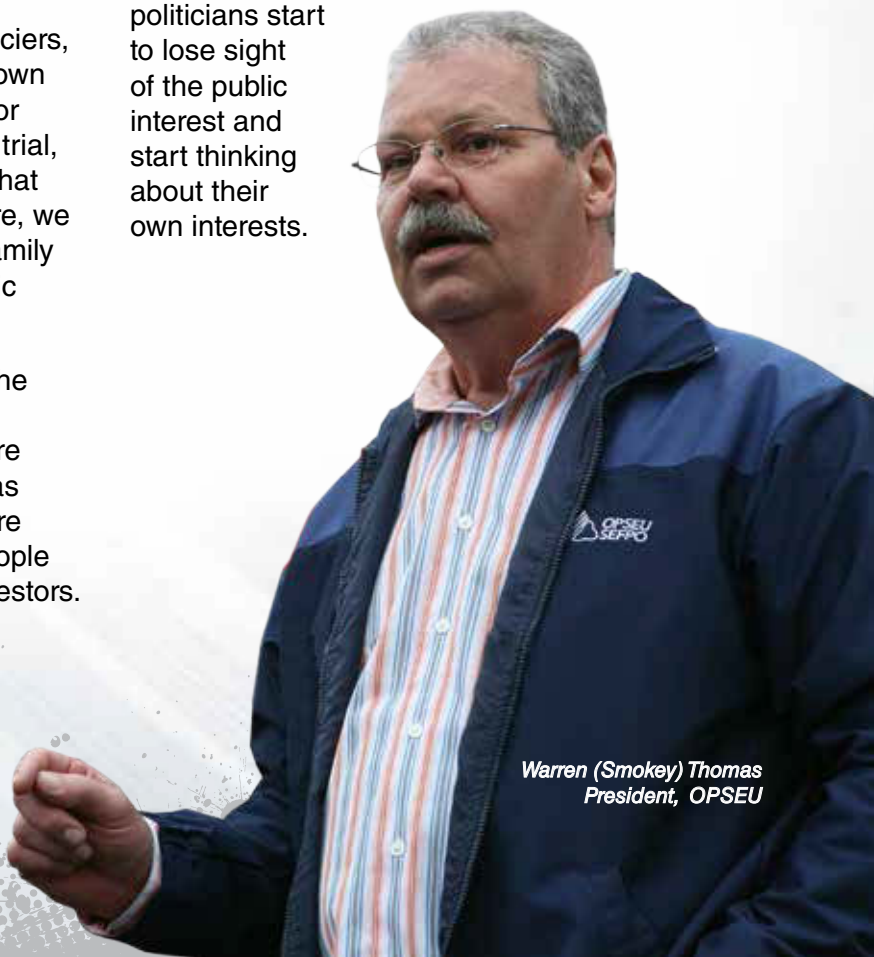
But as soon as the profit motive enters the picture, something changes. The history of privatization in Ontario, chronicled here in several examples, shows that what has happened is not more efficiency, but more ways to transfer wealth from working people and citizens to business owners and investors.

We've paid a high price for privatization in this province. Have people died because highway maintenance companies have cut corners on plowing our roads to make more money? A lot of people think so.

Was it really a good idea to hand over Highway 407 to a private consortium? Nobody I know thinks so.

Did we really have to pay $149 million to hedge funds based in the Cayman Islands and the U.S. in order to cancel a gas-fired electricity generation plant in Mississauga? No, we didn't.

Privatization has nothing to do with "innovation" in public service delivery or saving money for citizens and everything to do with making money for a privileged few. It happens when politicians start to lose sight of the public interest and start thinking about their own interests.



*Warren (Smokey) Thomas*
*President, OPSEU*

The distance between elected politicians and wealthy business interests is shrinking, to the point where we can hardly see the difference.

Privatization, I fear, is just a pretty word for corruption.

I've worked in the mental health field for most of my adult life, and I can tell you that people are motivated by many things other than money. We're motivated by compassion. By loyalty. By the feeling that comes from a job well done.

It's time our elected leaders remembered public service values: serving the common good; being accountable and responsible; and speaking truth to power.

In February, my union made a couple of recommendations to Ontario Finance Minister Charles Sousa during his consultations around the 2014 provincial budget. In addition to the proposals outlined in our pre-budget submission to the Standing Committee on Finance and Economic Affairs,* we asked the minister to consider these two in particular:

1. The office of the Financial Accountability Officer (FAO) should have both the *responsibility* and the *resources* required to review all contracts between the government (and its agencies) and all companies (or individuals) providing services or financing to the government or its agencies, and to report on that review to the legislature. The FAO's review should include both a cost/benefit analysis and an analysis of the social and economic impacts of the privatization. It should ensure that public consultations are held and that the public has access to all financial details.

2. To increase transparency and add to public understanding of government finances, all companies or individuals providing services or financing to the government or its agencies should be covered by the *Public Sector Salary Disclosure Act, 1996.* This means that these companies or individuals would be required by law to disclose, annually, the names, positions, salaries and total taxable benefits of employees paid $100,000 or more in a calendar year.

Privatization has been aggressively promoted both inside and outside the Ontario government for two decades. In 1997, 27 per cent of program spending in Ontario by all levels of government went to buy goods and services from the private sector. By 2010, that number was up sharply, to 38 per cent.** Yet this increased reliance on the private sector has not improved service delivery or provided better value for money. Indeed, as the pages that follow show, in well-documented detail, the history of privatization in Ontario is a history of epic failure.

Warren (Smokey) Thomas, President
Ontario Public Service Employees Union

*See *Building Our Future Together*, available at http://www.opseu.org/notices/budget/2014/building-future-together-jan2014.htm.
**Analysis by the Centre for Spatial Economics based on Statistics Canada input-output tables, March 17, 2014.

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# Cutting corners on highway maintenance

In 1996, the Ministry of Transportation began a multi-year plan to contract out all highway maintenance on the province's highways, including the 400-series highways. At the time, the Harris government said privatization would save the government at least five per cent compared to the ministry's costs. The 1999 provincial auditor's report, however, revealed that of the first four maintenance contracts, three had actually cost more under private operation.[1] Auditor Erik Peters also found that after awarding highway maintenance contracts, the Ministry engaged the contractors to perform additional work without tender and offered these contractors surplus ministry vehicles and equipment without going through the required public auction.[2] "Perhaps the biggest danger to taxpayers from managed outsourcing is that MTO equipment gets given away at fire-sale prices," MTO purchasing officer George Kerhanovich said at the time. "It's happening now. Contractors are picking up MTO plows and trucks for a song. Taxpayers are not getting fair value."[3]

Even more significant than the financial losses from privatization were the safety issues noted by Erik Peters: "There were concerns that individual patrol areas were too large to adequately monitor the work of contractors to ensure that provincial highways were safe, usable and protected from untimely deterioration."[4]

Today, a decade-and-a-half later, road safety under privatized maintenance remains a top concern for Ontario drivers. In 2012, North Bay MPP Vic Fedeli called for an inquest into a rash of highway fatalities in northeastern Ontario. "With so many deaths occurring in a relatively small geographic area, it is critical that these incidents be thoroughly investigated so that we can reduce the likelihood that more Ontario families will experience the grief associated with a fatal accident," he said, noting that his office had been swamped with complaints about highway maintenance. "There's one common theme in all of those comments – that the work to clear area highways of ice and snow hasn't been good enough, and not as good as it has been in the past…"[5]

In northwestern Ontario this winter, a driver who started a Facebook group to demand better highway maintenance noted a huge difference in maintenance quality this winter compared to when he was growing up in the area:

> I travelled on a school bus to high school like everyone else from Rat Falls. In my 4 years of (high) school I can only remember one time the busses were cancelled. I remember being let out early to get home before big storms covered the road… I have been travelling to the mine for 8 winters now and … [t]his winter and last winter were the worst roads I've seen in my 8 years of commuting.[6]

"It is the belief of many that the contractors are not living up to standards and the standards are not adequate for our area," said Sarah Campbell, MPP for Kenora – Rainy River.[7] The MTO apparently agreed, as it revealed in January 2014 that three highway maintenance companies in the northwest

had been fined for failure to meet service standards. The MTO would not reveal the amount of the fines levied, however, and a contractor said the company was not allowed to comment publicly on maintenance issues.

This in itself confirms a common criticism of government contracts with private companies: contract terms and conditions remain secret as a matter of course.

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## Meat inspection goes bad

In 1997, the Ontario Ministry of Agriculture, Food, and Rural Affairs laid off all but a handful of provincial meat inspectors and created a new model in which roughly 95 per cent of the inspectorate consisted of meat inspectors employed as independent contractors, i.e., they were not provincial employees. After the Aylmer meat scandal of 2003, the Haines Inquiry into meat inspection found that, among other things, inspectors who closed down a slaughterhouse that did not comply with provincial regulations were, in effect, laying themselves off. This obvious conflict of interest and other issues that posed a threat to public health and safety resulted in the return of meat inspection to the public service in 2004.[8]

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## "Six times higher": the Andersen Consulting scandal

In 1997, the province contracted out a Business Transformation Project in the Ministry of Community and Social Services to make major changes to the social assistance system. The ministry's contract with Andersen Consulting (later re-named Accenture) caught the attention of the provincial auditor very early on. In his 1998 report, the auditor noted that the Ministry "had not sufficiently defined or established the project's scope and desired business results [and] could not demonstrate that it had adequately considered either other contracting arrangements or maximizing the use of its own internal resources for any aspects of this project."[9]

The Ministry "could not provide the basis for its agreement to pay Andersen Consulting a fee of up to $180 million," the auditor noted, observing that the contract between the ministry and the company allowed the company "to charge standard published billing rates for this project, which were, on average, almost six times higher than the rates charged by the Ministry for comparable staff"[10] and that the company was allowed to unilaterally increase those fees "from time to time."[11]

The Ministry did not have receipts for most of the $1.4 million in out-of-pocket expenses the company billed the government for; those charges "averaged approximately $26,000 for each full-time-equivalent position assigned to the project during the first year."[12] Chastened by the provincial auditor's report

and an investigation by a committee of the legislature, Andersen Consulting was forced to renegotiate its arrangement. But in a special report two years later, the auditor still found that "our concern remains that under the renegotiated agreement Andersen Consulting is still receiving a disproportionate amount of the benefit pool in relation to its work effort."

Indeed, Andersen's rate for a consultant was still $280 an hour for work that cost the Ministry between $45 and $115 an hour when performed by its own staff.[13] The rollout of the Business Transformation Project was originally planned for completion by June 1999; as of 2000 that date had been changed to January 2002, a full two-and-a-half years behind schedule.[14]

Despite questionable spending practices and the potential risk to confidential public information from private involvement in the provision of IT services, government spending on private IT contractors has grown rapidly in the past decade. According to a 2012 consultant's report, one-quarter of the employees involved in direct government IT projects worked for private contractors. The cost per full-time-equivalent employee was more than double when private contractors were used to do work on mainframe computing, UNIX servers, Windows servers, storage, and end-user computing, the report found.[15] Despite these findings there have been no recent reviews or value-for-money audits of IT spending in the Ontario Public Service by the Auditor General of Ontario, the Ontario Ombudsman, or any independent investigator. IT services provided to government-funded hospitals, schools, or other institutions have been similarly insulated from public scrutiny.

case study

# False positive: wasting public dollars in private labs

It used to be that if your family doctor sent you for a blood test, you went to a hospital to have it done. But today, Ontario spends nearly $700 million a year on medical lab tests conducted outside of hospitals, mostly through three for-profit multinational companies.

In the mid-1990s, the Mike Harris government began pressuring hospitals to restrict their own labs to in-house testing, creating a huge market for private labs in the community but draining funds from public hospitals. This caused widespread dissatisfaction in many communities – including smaller northern and rural communities that had voted Conservative. In response, the government agreed in 1997 to fund a pilot project to compare costs between public and private labs.

In the pilot project, private labs were paid per test while hospitals were paid a lump sum for the community volumes regardless of how many tests they conducted. For many years the results of the pilot project were not evaluated. Then, in 2007, following a battle to retain community lab volumes at the hospitals in Muskoka and Huntsville, the government hired RPO Management Consultants to finally evaluate the pilot.

RPO found that even the smallest hospitals in the province had no trouble competing with large centralized private laboratories. In 2005-06, costs at the public hospitals averaged $22

per test, compared to $33 per test – for the same tests – in the large for-profit labs.[16] By maintaining community volumes, the hospital labs were able to use the money saved to expand the scope of testing, extend lab hours, purchase new equipment, speed up turnaround, and keep access local.

Despite the evident superiority of the hospital labs in the pilot project, the consulting firm nonetheless called for its termination – a clear sign that the (by then Liberal) government's preference was for private delivery, not value for money. When the pilot project was terminated at Muskoka Algonquin Healthcare, the overnight lab shift was also cancelled.

Ross Sutherland, author of *False Positive: Private Profit in Canada's Medical Laboratories*, estimates the Ontario health care system could save between $175 to $200 million per year by integrating community lab services with hospital labs.[17]

case study

## The Highway 407 giveaway

In 1999, the Mike Harris government leased Highway 407 to a consortium led by a Spanish group. The agreement gave the government a flat fee of $3.1 billion. The highway cost an estimated $1.5 billion to build with tax dollars and was expected to be paid for through tolls within 30 years, after which time it would become a free highway. But the lease agreement gave the consortium the profits from the toll highway for 99 years – and the right to raise tolls at will.[18] In 2010, the Canada Pension Plan Investment Board purchased a 10 per cent stake in the 407 for $894 million, suggesting the total value of the highway by then was $8.94 billion in 2010 dollars.[19] The dramatic increase in accrued value is money that went to private investors; it could have gone to the people of Ontario.

case study

## The Walkerton water tragedy

The Public Inquiry into the Walkerton water tragedy that killed seven and sickened 2,300 people in May 2000 found a link between the tragedy and the closure of government lab services for municipalities, which resulted in their turning to private labs for water testing. When government labs had done the testing, they reported adverse test results to the Medical Officer of Health and the Ministry of the Environment as a matter of course. The private lab that tested Walkerton's water did not do this, delaying a boil-water advisory that would have prevented hundreds of illnesses, according to the Inquiry.[20] An economist commissioned by the Inquiry to estimate the financial cost of the disaster put costs at $64 million and "intangible" costs, such as the loss of human life, at an additional $91 million.[21]

case study

## Jail privatization: *that* didn't work

In 2001, the Conservative government of the day turned over operation of the maximum-security correctional facility at Penetanguishene to a private operator for

five years. An identical facility in Lindsay remained under government control, allowing for a direct comparison between the two. In 2006, a review by the Ministry of Community Safety found that "in basically every single area, the outcomes were better in the public run facilities," in the words of the minister responsible.[22] The ministry review found that the provincially-run facility had better security, better health care for inmates, and a reduced rate of re-offending. The private jail had fewer staff and ran fewer programs to help inmates.

case study

## The Teranet fire sale

In 2003, the Ernie Eves government sold its 50 per cent stake in Teranet, the province's electronic land registry service, for $370 million. This valued Teranet at $740 million, but the profits from Teranet's operations indicate clearly that this was much too low. In 2003, Teranet's profits were $118 million on sales of $190 million, giving it a stunning profit margin of 62 per cent. With profits like that – and considerable growth potential – a better estimate of the company's value would have been closer to $2 billion, not $740 million. The difference was all money lost by the people of Ontario – and gained by the private investor who snapped it up at a fire-sale price.[23]

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## LCBO agency stores: a losing proposition

The Liquor Control Board of Ontario is a successful public enterprise that brings in more than $1.7 billion a year to finance government operations. To earn these profits, the LCBO directly operates 635 stores across the province.

Part of the LCBO's business is the agency stores program, through which private operators are licensed to sell LCBO products. Begun in 1962, the agency stores program was originally envisioned as a way to provide beverage alcohol in remote northern areas where sales volumes were deemed to be too low to justify the cost of a directly-operated LCBO store. By 1995 there were 82 such stores in operation. In 1995, the Conservative government began to expand the agency store program into southern Ontario. Including new agency stores opened under the McGuinty Liberals, Ontario now has 219 of them.

In 2011-12, agency store sales equaled $99 million, or 2.1 per cent of net LCBO sales.[24] Agency store operators receive a 10 per cent discount off the retail price set by the LCBO, which provides their guaranteed profit margin. When sales volumes at a given agency store are below a certain level, this arrangement represents a net financial gain to the LCBO, which is able to make sales without incurring direct operational costs. But as sales volumes at a location increase, agency store sales begin to cost the LCBO more than they would if those sales were made at a directly-operated LCBO store. In other words, the LCBO would earn more for government coffers on the same level of sales if the contracts with many agency stores were terminated and a directly-operated LCBO store were opened in the same community.

There has been one study published to attempt to measure the gains to public revenues that could be possible if some agency stores were to be closed and replaced

with directly-operated LCBO stores. In March 2007, researcher Russ Christianson calculated that 89 of the 199 agency stores then in operation could be profitably "repatriated," for a revenue gain to the province of between $250 to $340 million over 10 years.[25]

What would that projection look like if we looked ahead from 2014? Given the fact that the agency stores program has added 20 stores, and the average revenue per store has increased by 20 per cent in nominal terms, the extra revenues available to government could only be higher. At a time when government is facing a revenue shortfall, repatriating high-volume agency stores just makes sense.

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## ORNGE insanity

In 2005, Ontario created Ontario Air Ambulances Services Co., a not-for-profit entity charged with creating an integrated air ambulance system to manage and dispatch air ambulances and the Critical Care Flight Paramedics who staff them. Assets belonging to the Ministry of Health and Long-Term Care were transferred to ORNGE at a nominal cost of $1. The company later rebranded itself as ORNGE (not an acronym) and set out to change the way air ambulance service was provided in Ontario. In late 2011, news reports revealed that ORNGE CEO Chris Mazza was paid $1.4 million a year, more than any other public employee in Ontario. But ORNGE hid Mazza's salary from public scrutiny by creating a spin-off private company, ORNGE Global. (Salaries paid at private companies are not published under the *Public Sector Salary Disclosure Act*.) ORNGE Global issued bonds to pay for a dozen new helicopters, paying the interest and principal on the bonds with some of the $150 million in public funding it receives. The Italian company that sold the helicopters then paid ORNGE $6.7 million for "consulting" services. The ORNGE corporate plan called for three per cent of gross profits to go to the not-for-profit ORNGE, with 97 per cent going to ORNGE investors.[26]

case study

## Privatizing community safety: Sunrise Propane and the TSSA

On August 10, 2008, a series of explosions one witness said was "like an atomic bomb" lit up the night sky in northwest Toronto, destroying homes, shattering shop windows and raining debris over a vast area. The explosions at Sunrise Propane forced the evacuation of 12,000 homes, closed Highway 401, and caused $25 million in property damage. Parminder Singh Saini, a 25-year-old Sunrise employee, was killed on the scene.

Investigation of the explosions showed that they began as a result of a truck-to-truck transfer of liquid propane that Sunrise Propane was not licenced to perform under the rules of the industry regulator, the Technical Standards and Safety Authority (TSSA). The TSSA inspector had not enforced a 2006 order calling on Sunrise to stop the transfers. Five years after the fatal explosions, Sunrise and its directors were found guilty of nine provincial offences.

The safety violations at Sunrise Propane shone a spotlight not only on the company but also on the TSSA. The TSSA was a private entity created in 1997 when the Mike Harris government ended direct government oversight of gas stations, elevators, escalators, heating boilers, and the like.

Environmental lawyer Mark Winfield noted three main problems with the design of the TSSA. First, it exempted the TSSA from oversight by the provincial auditor and the ombudsman, and the TSSA is not subject to public scrutiny under the *Freedom of Information and Protection of Privacy Act* or other accountability mechanisms that oversee public bodies. Second, it separated the TSSA's operations from government policy-making around safety:

> Inspections, approvals and similar functions were seen to be so routine and unimportant that they could be handed off to non-governmental entities, while policy making remained in governmental hands. Governments could "steer" while others "rowed." In reality inspections and approvals are the core of a regulatory system for public safety. These activities are also crucial sources of information about what is happening in the real world that inform the formulation of policy. Their separation is neither practical nor desirable in a public safety context for these reasons.[27]

Lastly, the TSSA was funded and controlled by the same industries it was created to police – a clear conflict of interest that many critics said played a key role in the Sunrise disaster. "The province privatized community safety by allowing the TSSA to regulate this dangerous industry," said Toronto city councillor Maria Augimeri, "and this is the result — a completely negligent act that was directly responsible for lives lost."[28]

Most Canadians agree that the proper place for organizations like the TSSA is in the public sector, removed from the conflict of interest that occurs when the oversight of public safety is privatized. In a 2009 poll of 2,000 Canadians by the Environics polling firm, 83 per cent of respondents agreed with the statement that "the people who actually inspect and regulate industries in Canada should work for government agencies, not for the industries themselves."[29]

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## Public dollars, private penalties: why gas plant cancellations cost so much

The provincial government's decision to have the private sector play a major role in the generation of electricity has been an expensive disaster for electricity ratepayers and taxpayers alike. The politically-motivated cancellation of gas-fired generating plants in Oakville and Mississauga cost more than $1 billion.[30] What was less extensively report was the amount of money that went to private-sector investors in the form of penalties – penalties that would never have been charged if the proposed plants had been financed in a more traditional manner through the publicly-run Ontario Power Generation.[31]

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# Paying too much for public-private partnerships

The provincial government's first two attempts at so-called "public-private partnerships" (P3s) were costly mistakes. Ontario's auditor general confirmed that the William Osler Health Centre cost nearly $500 million more with private involvement than it would have if traditional public procurement methods had been followed. The Royal Ottawa Hospital was originally planned in 2004 as a 284-bed facility at a cost of $95 million. It opened as a 188-bed facility that cost $146 million.[32] Despite these failures, the current government insists that P3s have a vital role to play in financing important government infrastructure.[33]

Ontario has moved much faster than other provinces in establishing private contracts to design, build, finance, maintain and sometimes operate public infrastructure projects. Despite many warnings, the province appears to have dismissed evidence that shows these kinds of arrangements can be poor value for the public purse.

In 2012, researchers at the University of Toronto put a price on what the average public-private partnership (P3) costs compared to traditional public procurement – 16 per cent more.

The research looked at 28 Ontario P3 projects worth more than $7 billion. At a 16 per cent premium, that means the projects in the study would have been about $1.12 billion less had the government tendered these contracts under traditional procurement rules – roughly the cost to build three Peterborough hospitals.

Most of this additional expense is based on the higher cost of borrowing for the private sector, although about 3 per cent is additional transaction costs – one of the reasons why so many law firms belong to the Canadian Council for Public-Private Partnerships.[34]

Proponents of this kind of private development argue the savings take place when the cost of risk is calculated – the average P3 estimating risk to be a startling 49 per cent of the project's cost. "Unfortunately, quantifying those risks requires a bit of accounting hocus pocus," the *Globe and Mail*'s Barrie McKenna observed.[35] With private sector contracts, companies deal with uncertainty by padding estimates and inflating the cost of risk. In the public sector, governments pay the *actual* cost of unexpected budget events – a number that is invariably lower than inflated guesses.

The U of T report was by no means the first or only report to highlight P3s as poor value for the public. In Britain, the government has undertaken more than 700 P3 contracts. Yet in 2011, MP Margaret Hodge, the UK Parliament's Chair of the Committee of Public Accounts, noted that

> PFI [the UK equivalent of the P3] looks like a better deal for the private sector than for the taxpayer….[T]his form of financing has been based on inadequate comparisons with conventional procurement which have not been sufficiently challenged…. We have seen information which strongly suggests that investors are making excessive profits from selling on shares in the PFI projects…. Government currently lacks sufficient

information on the returns made by investors, who have been able to hide behind commercial confidentiality.[36]

P3s are invariably successful at padding corporate profits, but this does not mean they offer a net benefit to the citizens of Ontario. Despite Finance Minister Charles Sousa's assertion that "Ontario has set the standard for on-time, on-budget delivery of infrastructure projects through our alternative financing and procurement (AFP) model"[37] – a.k.a. P3s – a P3 that is *on budget* may still be *more expensive* than conventional financing.

For a government concerned about value for money, walking away from P3s should be a no-brainer. Instead, the Wynne Liberals are embracing a failed concept. Ontarians will be paying for it for decades to come.[38]

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# Social Impact Bonds: Privatization's Next Frontier

Social Impact Bonds (SIBs), first piloted in the United Kingdom in 2010, are a new financial tool designed to finance public services through the private sector. Essentially a type of P3 for social service delivery, SIBs have so far been used in correctional services, education, and child protection. They are seen by proponents as a way to provide services in areas where the objective is to change outcomes, e.g., to reduce recidivism among offenders, to reduce teen high school drop-out rates, or to divert children at risk from going into care. Typical SIBs offer investors the opportunity to earn profits in the range of 8-13 per cent. The financial return may depend on the degree to which outcomes improve.

In Ontario, the MaRS Centre for Impact Investing will most likely facilitate two SIB pilot projects in 2014. In 2012, SIBs were promoted by government adviser Don Drummond, who recommended they be tested "across a range of applications."[39]

With scarcely any SIB projects completed, most of the benefits exist in theory only. However, some consequences of the model are clear.

The SIB model opens the door for private capital to exert greater influence over government policy and design and transfers public dollars to investors in the form of profit. This comes at considerable cost to government for consultants, IT systems, and program evaluation. Meanwhile, the competitive bidding model which SIBs depend on is associated with cost-cutting and a resultant increase in low-paid, precarious employment.

Social service delivery takes place in a complex human context where problems have multiple causes. It is very difficult to attribute "success," however defined, to a single intervention. The SIB model pushes government and social-service agencies to distort their service priorities to become marketable to investors. An increased focus on those groups from which it is easiest to make a profit creates a risk that the most marginalized groups – those with the most complex problems – will be left behind. If SIBs become more prevalent, direct funding for social services can only be expected to fall.

Despite their glossy image as a progressive innovation, the real purpose of Social Impact Bonds is to extract profit from human suffering.

Cheerleaders for SIBs are correct when they say that social problems persist because we as a society are not investing in the programs that would alleviate them. But they are wrong when they say that that investment can only happen through a market-driven approach that widens income inequality by transferring wealth from those needing social services to investors. Public investment – insulated from the distortions profit demands – remains the best approach.

# Conclusion

Advocates of private involvement in the delivery and financing of public services and public infrastructure overlook the significant cost advantages enjoyed by the public sector when it comes to both cost and quality. Some points merit special mention.

- There is no mark-up on public services. Any company delivering public services expects to make a profit on a par with what it could make elsewhere. In Canada, that usually adds about 12 per cent to the cost of any private sector good or service.
- Governments can achieve greater economies of scale than private companies. This cuts down administrative costs and the cost of many inputs. As an example, with large economies of scale and no profit motive, Canada's public health care system is just over 10 per cent of the economy. In the United States, with inferior care and less coverage, that number is 16 per cent.[40]
- Government can always access lower interest rates than even the largest corporation when borrowing money for a large-scale project like building a hospital. On a billion-dollar project, even a one per cent difference in interest rates means $10 million a year for the length of the project – normally decades.

Even neutral observers have derided the "ideological underpinnings"[41] of P3s and other privatization initiatives, and there is no doubt that the recent gas-plant fiasco has increased public mistrust not only of the current government but of politicians in general. As a means of saving money and restoring honest public accounting to government dealings, government should renounce its infatuation with costly privatization initiatives and put in place measures to ensure greater accountability and transparency to protect public money and the public services we all depend on.

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