Talking Points on Privatization

- In response to the economic crisis and chronic budget shortfalls, state and local governments are looking to privatize core services as a way to balance the budget.

- Recent extreme budget constraints have increased pressure on government to privatize since the recession began, but it is part of an on-going trend.

- Anti-government activists have pushed privatization for years as a way to shrink government. The private sector sees privatization as an opportunity to cash in on taxpayer dollars. And some of the public has been convinced by aggressive messaging that the private sector is more efficient and cost-effective at delivering services. Thought the recent economic meltdown and failure of major financial companies should have convinced people the private sector is NOT always the most effective.

- Privatization of core services, assets and property and other public goods is often pitched to cash-strapped state and local governments as a "silver bullet." The government gets a quick fix--an infusion of cash, less responsibility and supposedly more efficiently delivered, and cheaper, services.

- In reality, there's no such thing as a silver bullet. In fact, privatization can make situations much worse from deteriorating services, hidden costs and loss of public control and transparency.

WHY PRIVATIZATION IS BAD

- **Private sector is driven by profit.**
    - The money saved by any cost-cutting measures by a private company that takes over is not re-invested in services--it is paid out to shareholders, often in other cities or states. Instead of lowering fees or putting money into improving roads, those cost savings go to the company's bottom line.

    - Private companies increase profit by raising user fees and slashing services. Elected officials lose the ability to control the fees that the public pays to use toll roads, for water, garbage pick-up or other services. Some argue that the government can just change the contract is the private operator raises fees too high, but it is often expensive and complicated to get out of a contract, so it ends up costing the government more.

    - The private sector does not have to consider the impact of their business decisions on the public. They can lay off workers, slash wages and reduce benefits without a thought to how that will affect the community.

- **Hidden Costs of Privatization**
    - Brings me to next point--hidden costs. When private operators eliminate unions, slash wages and benefits--shifts costs to government. Taxpayers end up subsidizing medical care and other safety net services for workers who once had union jobs. Erodes the tax base. Increases unemployment.

- Hidden cost of monitoring contracts. Also, government loses out on future revenues or benefits from assets when they outsource them.

- Hidden long-term costs. For example, Schwarzenegger proposed selling 11 state buildings to close a 1.2 billion dollar hole in the budget. Sounded like a good idea, until we heard that the state would lease back the buildings---basically like taking out a loan at 11% interest. Long-term costs.

- **Loss of public control, accountability and transparency**
    - Privatization often means that the private operator lays off workers with decades of experience and brings in lower-paid workers. Lose all of that experience, customer service and a stable workforce. Undermines services, quality of work done, etc.

    - Public does not have the same amount of direct say in planning decisions, service levels, user fees, tolls, or in planning. Contractors aren't elected and it puts another level of bureaucracy between the public and the provider of services.

    - Well-run public services do not produce profit. That's why they're publicly provided. Private operators may make decisions to save money that end up harming the public, or eliminating vital services.

WHAT ARE OTHER OPTIONS?

- Privatization is not all bad. Some non-core services that have been outsourced to private companies are union. The Teamsters union represent workers at garbage, transit and other companies that contract with governments to provide services.

- If a government decides to privatize a service, they have to make sure safeguards are in place. Retain union jobs. Keep public oversight and control. Set caps on user fees. Make sure that there are "succession" clauses so when there is a change in contractor then the workers can keep their jobs and their union. There is already existing state legislation guaranteeing that certain workers can retain their jobs in case of contractor turnover.

- Look to other options before privatizing. Workers are the ones who provide services every day. THey know the job better than anyone and have many ideas to provide services more efficiently. Labor-Management partnerships can save money in the long-run without having to privatize.

- Once example---SEIU and the Union City Sanitary District developed a partnership for cost-savings with the agreement that there would be no lay-offs and no increase in sewer service rates. The union and management worked together to increase efficiency and ended up reducing annual costs by 15%.

- There are many many examples of unions and management cooperating to save tax dollars and provide better services.