

Privatization and Public/Private Sector Partnership

by Dr. Larry Kennedy, MLA

Rocketing debt and diminishing revenues has led to a determination on the part of governments to balance budgets, to down size government and re-evaluate long-standing functions and services. Government leaders and legislators in Canada have two basic ways of getting control of deficits and charting a future course of action for the rest of this century. One of these is through the downsizing of government activities. The other is by privatizing some of its operations. There are mixed views on the down sizing of government through reduction of public service positions. Nevertheless, a reduction of 40,000 federal employees has already been announced and in the provinces the number of public servants is also being reduced either by lay-offs or by attrition. There will be an overall reduction in the number of public employees in Canada in 1995. This article looks at some of the factors pertaining to the other tool available to cost conscious governments — the privatization or the establishment of public/private partnerships to carry out some of the functions formerly performed by governments alone.

For legislators, privatization presents complexities that can be even more troublesome than downsizing. It is a political mine field. Some see it as the greatest thing since sliced bread. Others view it as a curse of modern society. Is it a means of preserving essential public services? Is it a government sell-out? Is it a technique of modern government management? Is it all of the above? Love it or hate it, privatization is very much with us and a part of government planning which is likely to be around for a considerable period of time.

The idea of a diminished role for government was put forward by Margaret Thatcher in the United Kingdom and by Ronald Reagan in the United States. New Zealand's recently underwent a massive turnover of

functions to the private sector. Privatization has come to the forefront in several provinces, including British Columbia, Saskatchewan and Alberta. The federal government seems very much bound on this route.

Canada traditionally had been a mixed economy and crown corporations were created over the years to provide services that the market could or would not supply. They have long conducted business operations for profit although often deficits resulted. In the last decade there has been a move to privatize a number of crown corporations.

So long as the public interest is preserved, it is increasingly difficult to argue against privatization of many crown corporations which in essence are involved in business operations, and in some cases compete with the private sector.

It is my view that the test for privatization of any crown corporation must be, "will privatization service the public interest?"

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To pass this test, there must be no fire sales of government assets in any privatization. There must be a clear commitment that service to the public will continue. A remedy must be available in the case where privatization fails this test.

Governments in Canada are increasingly interested in privatizing crown corporations either to obtain revenue, or get rid of assumed debt, or both.

Privatization may be viewed as a public/private sector partnership. In exploring this partnership, there are means other than outright sale of crown corporations to the private sector.

Sir Graham Day, a Nova Scotian, suggests that one approach with respect to crown corporations might be the creation of "half-way" houses, with government ownership but private operation on a contractual or franchise basis, preserving basic and essential services at lower cost. This contracting out, with private management and delivery of services, is a concept that could prove interesting in a cooperative effort between government and the private sector.

The New Brunswick Experience

The New Brunswick approach has been built much more on making government efficient than all-out privatization. The goal has been one of achieving self-sufficiency to deal with the debt crisis evident when the current government came to power in 1987. Responsible fiscal management became a way of life in our province. The agenda has been reducing layers of bureaucracy and making government smaller and more efficient. New Brunswick has managed to balance its budget and is determined to live within its means. It has balanced budget legislation on its books. The government has not just cut, it has worked to a plan.

Reforms have been made in social policies. Pre-school and early intervention programs have been developed and put in place. The government has attacked built-in disincentives toward work and self-sufficiency. Social welfare recipients are provided with training and upgrading to improve skills and encourage them to move toward the work place.

New Brunswick is involved in cooperation with the private sector in this direction. Some liquor outlets have been provided in rural areas through a franchising arrangement with the New Brunswick Liquor Corporation. Recently a school was built in the Moncton

area by a private development group that will lease to the government and be responsible for maintenance. The result will be a reduction in borrowing costs for initial capital outlays, and fiscal responsibility, with a "paying as we go" approach. New Brunswick is currently in the process of having a private contractor build and run a facility for juvenile offenders.

New Brunswick has been involved successfully in what I might call "creative privatization" in a working partnership with privately owned NBTel. The provincial government has been able to promote a job creation program involving call centres and high tech operations through a positive working relationship with NBTel, which provided our province with the first totally fibre optic wired phone system in North America. The result is that New Brunswick is now recognized as a leader in call centres. This has been done, not through government assuming burdensome financial commitments, or the creation of a crown corporation, but rather a strategic alliance with an advanced communications firm.

Where the private sector can do the job better, and preserve and protect the public interest, that should be the direction followed. But in the cooperative efforts of privatization involving the public and private sector, the first step in determining whether to privatize or not to privatize come down to this: the impact on people and the affected workforce. Their interests must be recognized as legitimate and safe-guarded. Overall, will the result be positive or negative? I believe that we need to ensure that the result will not be negative, and be prepared to give the benefit of any doubt to this finding.

Privatization and public/private sector cooperation can be worked out where crown corporations are involved. However, a much more difficult problem arises when one considers the exacting privatization of provision of services that had formerly been regarded as a responsibility.

In this area experience shows that employees transferred to the private sector in the move towards privatization can suffer economically and end up with reduced benefits. It is increasingly the situation that employees who are not transferred, while obtaining pay outs for years of service, find themselves unable to obtain comparable employment in the private sector work place.

Citizens have come to rely on the role of government in providing a social safety net. It raises the issue of the duty of government towards its citizens. A former Chair of the Economic Council of Canada succinctly states what many now consider a modern reality and challenge for government: "We have to break with the notion that governments can protect citizens from every cold wind." On the other hand she warns governments of their

responsibilities: "We have to break with the notion that governments can let cold winds blow to make Canadians competitive, without putting in place the supporting reforms on the social side."

Not everyone remembers both sides of this equation. The views of government minimalists are being increasingly put forward by commentators and right wing think tanks. One of those expressing the minimalist view is Andrew Coyne, editorial writer for the *Globe and Mail*, who argues government should be given less to do, should be limited to a few simple tasks to be performed according to a few very simple, well understood unchangeable rules and to make markets rather than politics the primary mechanism through which society's resources are allocated. This view would appear, would carry privatizing to the extreme.

I believe that to have the public and private sectors successfully work cooperatively together, we need two

important elements in play. Red tape should be kept to a minimum. And the government must commit itself to the creation of a climate of economic confidence.

We know that in the years immediately ahead we face down sizing in government and more privatization. Hopefully continued private/public sector cooperation can succeed. However, we have to understand very clearly that Canada is not the United States, or Britain, or New Zealand. Ours is a different political culture. We have built a country and a sharing, caring society in spite of both economics and geography. We must make sure that government's quest for the bottom line never loses sight of the fact of why we have government in the first place in a civil and civilized basis. That has to remain clearly before us as we deal with the role of government, regardless of the issue. That should be the starting point, not the after thought, which at times can be the case in considering privatization.