

# Ask the right questions before privatizing

*Ask these ten questions—and get the answers—before any final privatization decision.*

## **1 Does the contract limit our democratic rights?**

Buried deep in contracts and long-term public-private partnerships are so-called “non-compete” clauses and “compensation clauses” that limit or eliminate our ability—for decades—to make public decisions to improve our cities, transportation systems, and many other public services. These clauses could prevent us from building mass transit that might compete with the private road operator—for decades.

## **2 Will we still have the right to know?**

The public often loses the right to know important details about public services when private contractors take over. Privatize the health department, library, or prison, and the contractor CEO’s salary—and lots more—becomes private and confidential.

## **3 Are there perverse incentives that work against public policy goals?**

Private companies are focused on growing revenue, increasing market share, and a healthy “return on investment” for owners or shareholders. That’s fine for the company that makes your breakfast cereal, but privatization means that the goals of private interests may take precedence over the public good. For example, prison contracts are sometimes based on the number of full prison beds. So, more people in prison is good for business but isn’t good for society.

## **4 How will we hold the contractors accountable?**

When public agencies don’t have enough staff to regularly monitor contracts, the public loses. Anyone who contracts for services—whether Boeing subcontracting the manufacture of jet components or a family hiring a contractor to expand the size of their kitchen—knows that if you don’t watch the contractor closely, you get cost overruns, missed deadlines, and mistakes.

## **5 Do we have a Plan B?**

Contractors that fail to deliver cost the public millions when contracts have to be cancelled. Legal fees and overtime for public employees or back-up contractors to fix problems add up. And, once a public agency downsizes the front line workers who know how to do the work, it takes time to re-create an in-house team with experience and expertise.

## **6 Will the outsourced jobs have health care benefits?**

Privatization proponents frequently promise cost savings that come from turning jobs with health benefits into ones that don't have health care. That's irresponsible and simply shifts costs to someone else—usually the public or local hospital emergency rooms.

## **7 If a private company thinks they can make money, why can't we?**

Desperate for cash, cities and states are selling off assets and programs that are actually moneymakers. For example, local governments are selling landfills and privatizing recycling programs that generate revenue for cash strapped cities and counties.

## **8 Are there limits on the contractor's ability to raise fees, tolls, or rates?**

Public officials think that they don't get blamed when a private contractor raises rates. They're wrong. Contractors take over and raise rates to meet their financial projections. The result is that we pay higher fees, while the contractor gets the money. If we must raise rates, local governments should keep the money and fund libraries, parks, or other public services.

## **9 50 years? 75 years? You're kidding, right?**

The infamous Chicago parking meters privatization was a 75-year deal. That's a long time and a lot could change—from where we live and work, to how much we drive and much more. Even small changes could significantly impact revenues and profits. Beware of financial projections that predict an unknowable future.

## **10 Have you read the contract? (The devil is always in the details.)**

Contracts often have provisions that impact things we all care about—from environmental protection to neighborhood services and everything in between. Take the time and read the contract because once it's signed, it's too late to change. Ask Chicago.

Local and state governments are scrambling to fill gaping budget holes. Multinational corporations and investors offering cash and conservative politicians bent on downsizing government are pushing hard and moving fast. The promises of privatization are always oversold—cost overruns instead of cost savings, information no longer available to the public, and corners cut that impact services.

Asking the right questions is the first step to putting the common good first and avoiding decisions that we'll regret—for 75 years.

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