



Mind the Gap

Working with cross-border communities to tackle poverty

The Mind The Gap project was formed in response to calls for local level anti-poverty work in the border areas from the Northern Ireland Anti-Poverty Network & European Anti-Poverty Network (Ireland) members. The two project partners are the Northern Ireland Anti-Poverty Network and the Community Workers Co-operative. Mind the Gap uses a bottom up approach based on community work principles of equality, empowerment and participation. We seek to establish a collective approach to anti-poverty work. The fact sheet below was produced at the request of participants at a conference held on 'Water, Privatisation & Poverty' in 2007. This project is part-financed by the European Union through the Interreg IIIA Programme managed for the Special EU Programmes Body by the Interreg Community Partnership.

Mind The Gap - Privatisation fact sheet

What is Privatisation?

Privatisation is the shift of functions, activities and responsibilities from the public (government) sector to the private sector. It involves a process where the government gradually and progressively eliminates its involvement in direct service provision. It may mean the government maintaining responsibility and authority over functions such as standardisation or pricing. Privatisation may take several forms including:

- Commercialisation of public services - the service remains within the public sector but is fully or partially paid for by clients or consumers.
- Public-Private partnerships - a government asset is developed and managed commercially by a private sector company in return for an annual payment.
- Private Finance Initiative – effectively a similar arrangement to Public Private Partnerships
- Contracting out - a public service (for example cleaning a hospital) is paid for by the government, but implemented by a private sector organisation under contract.
- Build-Operate-Transfer (BOT) - a government asset is built and operated by the government initially and then transferred to the private sector.
- Full privatisation - the service is provided by the private-sector and entirely paid for by clients or consumers.

The arguments put forward for the privatisation of public services vary but by and large they revolve around the following:

- The objectives of privatisation are to reduce the government's administrative and financial burden with respect to providing services, because the money no longer exists to provide those public services.
- It is recommended on the basis that privatisation will offer the community improved access to more and better quality services at affordable prices.
- It is argued that consumers/clients of competitive privatised services will have greater control over the services used and the means of delivery by choosing among various available providers, i.e. that competition provides better quality and more efficient services.
- It is argued that competition and market driven bottom line accounting procedures eliminates waste and reduces inefficient practices.
- The need for public services to be modernised and opened up under the provisions of the WTO General Agreement on Tariffs and Trade.

What are the facts and is there any evidence to suggest privatisation is more efficient or cost effective?

There are a number of surveys comparing services which have been privatised to those delivered by the public sector. Survey research also exists comparing the efficiencies of private sector delivery of services once run by the public sector. In almost all cases there is no evidence to suggest that once in private hands services become more cost effective or more efficient. In the worst cases they become positively dangerous, e.g. rail and water privatisation in the UK, or at best they offer effectively the same levels of efficiency as when in public hands. What does happen is a small group of people who constitute the "ownership" of the service and their shareholders make money from the service and the priority becomes, investor returns, rather than meeting public needs. A recent survey in Asia of water services in 18 cities showed that on the following criteria, coverage, leakage, investment, unit production costs, percentage of expenses covered by revenue, cost to consumers, 24 hour supply and connection fees, private companies offered a poorer service than those in government hands. A survey of US water services found similar results.

What happens to staff when a service is privatised?

Those surveys found that what private providers are good at is revenue collection and staff reductions. They are also good at making changes to wages and terms and conditions of staff members, particularly through commercialisation and agency working. There is also an evidence base for adverse impact on a range of equalities.

What about infrastructure – Surely there is no other way to get funds?

By and large Private Finance Initiatives cost more than if the project was built by funds secured through public sector borrowing. Public sector borrowing is cheaper and combined with public sector efficiency should result in a much more cost effective solution to infrastructure deficits. Both conventional and PFI projects are now clearly on the public sector balance sheet, so there is no PFI 'free lunch.'

Why keep services in public hands?

If a service is maintained by government we can demand scrutiny, our elected representatives, or the civil servants who run government services, in theory at least, must be open to investigation. Private providers are exempt from public scrutiny. Publicly delivered services are accountable under Equality and Human Rights legislation.

Where does the NI Assembly sit on privatisation proposals?

Direct Rule Ministers have accepted the logic "privatisation good, public services bad". They have accepted that the free market works to deliver goods and services to where they are needed and it doesn't get much more sophisticated than that. No evidence has been presented to date to indicate that privatisation allows us cost effective efficient services.

The privatisation of public services

The Assembly may decide to comply with UK government recommendations to substantially increase privatisation of the public sector throughout Northern Ireland. The privatisation of the water service is the most obvious immediate threat but there are many examples of privatisation projects being used to build schools, hospitals, replace pipe networks and contracting out to private companies is rife for cleaning services and waste disposal. The period of direct rule has increased dramatically the number of projects which may use PFI/PPP financing, from 31 projects worth £330 million by 2003 to £3.2 billion worth of projects over the next ten years. There is nothing inevitable about this: but politicians can make clear and accountable choices and must be challenged to do so.

Pros and Cons

The arguments presented are that the Northern Ireland economy is dominated by the public sector and that this is a bad thing. This is coupled with a notion that keeping services in public hands is out of date. Often it can appear as if arguing against privatisation and the neo-liberal agenda is denying people the provision of services.

The fact is that privatisation proposals are not based on evidence that the private sector is more efficient than the public sector. Rather it is a transference of essential services from a sector established as part of our welfare state to private companies who are not

motivated by ethics but by the desire to make a profit. They will simply make money out of the provision of essential services to the public through privatisation of the National Health Service (NHS), education or transport in a thin veiled attempt to offer services at reduced costs.

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