

Columbia Institute  
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Public Responsibility, Public Control  
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- One of the Columbia Institutes major projects last year was our publication of *Back In House: Why local governments are bringing services home*.
- This report arose from our observation that some local governments in Canada were starting to bring work back in house that had previously been contracted out. That was a big change from what we had seen in previous decades. We thought it was like a pendulum beginning to swing back in another direction and it was something we wanted to look at.
- For decades, around the world, local governments have been under pressure to let private companies do their work on a for profit basis. We saw that both internationally and here in Canada. In Canada, the pressure came both from the federal and provincial governments, as well as from right wing think tanks, organizations like the Canadian Taxpayers Federation and from the big consulting firms.
- Part of that pressure focused on larger initiatives through public private partnerships. But part of it also focused on system wide efforts to privatize local government work
- For Example, in 2004, updated in 2010, Ontario published *A Guide to Service Delivery Review for Municipal Managers* advising local governments on how to hire consultants to advise them on issues like privatization and contracting out their work.
- Here in BC the province put pressure on local governments to use public private partnerships. In 2006 Premier Campbell in a speech to the UBCM said there would be no provincial funding for major municipal projects unless they considered using a public private partnership. And Partnerships BC, the province's privatization agency, was the judge and jury.
- In recent years, we have seen many local governments undergoing a "Core Services Review" process
- Here in BC we first saw Core Reviews in 2001 from the new provincial government. The reviews were based on similar projects done in Alberta in the 1990s. Every aspect of government service and program delivery was to be screened for the possible elimination of those found "non-essential".
- The BC provincial government paid to help develop a template for municipal core reviews but they need not have done so. The large consulting firms already had a template they bring to these practices.
- The templates start from the premise that anything the city is legally required to do is important while any other services are much less important, regardless of how citizens feel about them

- The template for these consulting firms calls for services to be privatized or outsourced, for community infrastructure to be sold, and for costs to be shifted from taxation to user fees, a preliminary step toward privatization.
- Virtually no core services reviews ask people in the community if service levels are sufficient or if there are new services they wish to see offered. None of them evaluated evaluating the full consequences of policy changes, identifying who pays, who benefits and who may suffer any adverse consequences
- In these Core Reviews, none of the consulting firms considered that one of the core functions of government was enhancing democracy and public accountability.
- Despite all that pressure both here and abroad we found that a lot of local governments are bringing contracts back in house. We found this in Europe in France, Germany and England.
- In 2011 a survey of 140 local governments by the British Association for Public Service Excellence found that “67 per cent had either brought a service back in-house, were in the process of insourcing or were considering doing so.”
- We even found it in the United States which you might think of as the world capital of privatization. A US study found that that between 2007 and 2012 new outsourcing accounted for 11.1 per cent of services while new insourcing accounted for 10.4 per cent. Stable public delivery was 48.9 per cent.
- The study found that what had really declined was contracting to for-profit providers. By 2012 inter-municipal contracting had surpassed for-profit contracting out. For-profit contracting was much more likely to be returned in house than inter-municipal contracting. The report found “Cooperative agreements may also fail, but failure rates are much lower...”
- In our report, we looked at 15 Canadian communities that had brought work back in house. Examples included delivery of water and sewage services, waste collection, parking services, municipal buildings, snow removal and municipal building. Among those 15 examples we found:
  1. Cost savings: 80% of our 15 examples
  2. Inadequate quality of service: 50% in the United States, 27% in Canada
  3. Problems with the contractor: eight of 15 Canadian examples
  4. Increased local capacity: 30% in the US, 33% among our examples
- In 11 of 15 examples, there was more than one reason.
- We identified ten best practices in our report but for now I would like to focus on only two of these: That would be to engage the public and to make evidence based decisions. Both of those require real transparency.

- We have some good examples here in British Columbia where we have seen a transparent process that led to governments keeping their work in house.
- The Capital Regional District has undergone a lengthy process leading to decisions regarding the treatment of sewage for the area. The most recent developments began at a time when the province was at its most intrusive with respect to the use of public private partnerships.
- However, the CRD did two things that were almost unheard of at the time. First, they insisted that information regarding the project was made public. Second, they involved the public in a way that went beyond asking them about colour schemes. The province would not permit either of these things on projects like the Canada Line. Because of this transparency the bulk of this project is going forth publicly.
- Metro Vancouver also went a long way in making information public about a major project with the Lions Gate sewage facility. First, they did not accept the complete Partnership BC methodology for major projects. Second, they made the KPMG Metro Vancouver Lions Gate Secondary Wastewater Treatment Project Procurement Options Analysis and Value for Money public. The result was a project that will not see long term private financing and operation of the project. And on March 11 the governments of Canada and British Columbia committed to their share of funding the project.
- For decades, contracting out public services seemed to be a one-way street around the world. It is not any more. Many local governments are finding out they can deliver better services at better costs in a more transparent and more flexible way by bringing the work back home.