

Privatization Is a Risky Gamble

Our money and services are on the line

All of us in San Diego depend on efficient, high quality city services like trash collection, parks maintenance, traffic markings, street cleaning, storm drain maintenance, and even dead animal pickup.

Turning over these services to contractors, who lack a public-service motivation, is a risky proposition for taxpayers. We need public input, accountability, and strict oversight of private contractors to avoid deteriorating services and higher costs.

Poor service, sloppy work

When contractors cut corners -- on materials, time or paying enough to attract experienced workers -- residents are left with crucial services in disarray.

- A man was electrocuted sitting at a San Diego bus stop in 1999, because an MTS contractor failed to ground an electrical hook-up.
- Many city intersections and lights in the City of San Diego have been left in hazardous condition by contractors, with crosswalks unpainted, streetlights hanging by plastics zip-ties, and pedestrian ramps dropping off steeply.
- Stockton, California, turned over its water utility to a contractor and suffered through six years of sewage spills and poor maintenance before canceling the contract last year.
- A national scandal ensued when a \$120 million contract to run portions of Walter Reed, a major Army medical facility were mismanaged. Returning soldiers faced neglect, lived in substandard living conditions and faced a lack of proper medical and psychiatric treatment.

Cost increases

Experience has shown that contractors bid low, and then come back with huge cost overruns. Taxpayers pay twice when sloppy work has to be redone. And the city must pay administrators to monitor the contracts.

- Kroll Inc. bid \$250,000 to review San Diego's financial mess and ended up charging the city \$20 million.
- Midland, Texas, took back public operation of its swimming pools this year, after a contractor doubled its price.
- A substance abuse counseling contractor was found in 2006 to have overcharged San Diego County by about \$500,000 and the state prison system by another \$800,000.

Outsourcing rarely results in the anticipated savings, in fact it often leads to higher costs.

The community loses middle-class jobs with healthcare

When city services are outsourced, good jobs with healthcare coverage disappear. Families are uninsured and reliant on public programs and emergency rooms, shifting the cost to the whole community, through higher medical charges and publicly funded aid programs.

Low bids for city jobs are no bargain if they deny families decent pay and healthcare.

Protect San Diego from Hidden Costs!

Public Backlash Against Privatization

As the privatization track record grows increasingly frightening, public officials in many cities and states are beginning to reverse privatization or require strict controls. They have seen the danger signs in horrific stories arising from privatization of public services without proper standards and monitoring.

- Since the city of Chicago turned over its meters to a private company, parking meter rates are at \$3.50 an hour and rising, while broken meters and parking tickets have surged. The Chicago City Council decreed that future proposed privatizations will get much more stringent review, after an inspector general reported that the city lost \$1 billion by privatizing parking meters.
- This summer, the Metrolink commuter rail agency in the Los Angeles area voted to stop outsourcing and hire its own train crews, after a crash last September killed 25 people.
- On June 11, Indiana House Speaker B. Patrick Bauer called the privatization of the state's Family and Social Services Administration "a disaster" and demanded an audit. "People are not getting their medicine. Their lives are put in danger by this privatization of FSSA," Bauer said. "And it's only to try to squeeze profit out of the poor."

The cold facts about privatization are creating a new understanding, in some places, that the profit motive often is not compatible with the public good.

What can we do in San Diego?

The Center on Policy Initiatives has developed the following proposals to make sure critical protections are in place.

Protect Service Quality: Open, public review will help preserve service quality. The public and the Council will be able to review descriptions of the work to be performed -- and Council approval will be required -- before the city seeks bids for privatizing any city function.

No Hidden Costs: The program is touted as a way to save money, but a closer look is needed to reveal some of the hidden costs.

Worker retention: City workers who know the jobs should have a good chance of staying on the job. Any contractor taking over a city service will have to give first preference in hiring to displaced city workers.

Healthcare: Contractors won't be able to underbid the city workforce by denying workers health benefits. Differences in employer spending on health insurance are removed from the bid comparison, so that contractors can't gain an unfair advantage.

Tell the San Diego City Council:
DON'T GAMBLE WITH OUR SERVICES!

Send a letter urging them to support CPI's policies at
www.onlineCPI.org/ProtectServices.

Contact: Natalie Nava at 619.584.5744 ext.24 or Natalie@OnlineCPI.org