

Tools to Fight Privatization

Frequently Asked Questions About Contracting Out (or issues that should be raised with community decision makers)

1. Why do City Councils want to contract out?

* Privatization is often looked at as a "miracle cure" to a City's budget deficit. Supporters of privatization claim that it reduces costs and increases efficiency. Most of the time, employees are laid off and the quality of services suffer.

2. What about accountability?

* When public money is sent out of the community and the city, citizens rarely have recourse when a company fails to perform.

3. What are the "hidden costs?"

* Administrators and City Council members rarely take into account all of the costs of contracting out.

* Contractors "low ball" bids in order to get a foot in the door.

* Contracts often provide free office space and utilities to profit-making companies as part of their contract.

* The cost of converting public services to private providers and the cost of monitoring a contractor to insure that they are living up to the agreement are estimated by the office of Management and Budget (OMB) to be about 14% on top of the total contract price.

* City Governments often become dependent on contractors making it difficult and expensive to bring a service back in-house.

4. Why is this such a bad idea? The City says no one will lose their jobs.

- * Through attrition, jobs are often reduced or part-time positions are created.
- * There are lots of cases where contracting has promised not to lay off employees and went back on their word as soon as the contract was signed.

5. The contractor says they're going to save the City money. What's so bad about that?

- * Contractors almost always save money by reducing staff and cutting services. Everyone suffers.
- * Contractors are in business to make money. The cost of profit has to be written into a contract.
- * Contract monitoring, a substantial cost is rarely written into the fee.