

## **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.