ONTARIO NONPROFIT NETWORK

EXPLAINER ON PRIVATIZATION

An overview of privatization policy and efforts

INTRODUCTION

Since the 1980s, the Ontario government has increasingly allowed for more for-profit actors in the development, delivery, management and/or ownership of the province's vital services and assets. Before the 1980s, many of these services were developed, delivered, managed, and/or owned by government, the broader public sector, and nonprofits.

In ONN's 2025 State of the Sector survey, 24 per cent of respondents, mostly spanning across six subsectors, stated that for-profit actors have increased in their areas of work. Seven per cent of those reported losing a contract to for-profit providers over the last year.

Proponents of privatization pose it as a quick-fix solution to chronic underfunding and perceived inefficiency. However, countries, including the United Kingdom and Australia, serve as warning signs for what privatization of services and public assets means for communities: higher costs, lower quality services, dismal working conditions, loss of public assets and revenue, and taxpayers paying for private interests in perpetuity.

This brief seeks to provide an overview of the various elements of privatization, and the context under which privatization happens.

What is privatization?

Privatization is the increased presence of, and in some cases complete takeover of, publicly-funded services and assets by profit-seeking entities. Privatization does not happen by chance, it is a result of deliberate public policy, financing, and funding decisions, or lack there of. In some instances it can also be the result of the government's proximity and connectivity to big for-profit actors.

Elements of privatization

1. Big box for-profits and private equity firms are key actors
2. Shareholder dividends are prioritized
3. Consumers cannot control profit margins
4. Public money extraction
5. Infrastructure may be sold at any time if it is profitable to do so
6. Short-term cost-savings cost more in the long-term

1. Big box for-profits and private equity firms are key actors:

Small to medium-sized businesses, enterprises, and/or mom and pop shops are not to blame. Corporations (e.g. multinational, big box chains, publicly traded companies) and/or private equity firms are the concerning actors given their egregious profit motive. These actors do not consider public benefit, but rather trade, buy, sell, and leverage public assets like a commodity. Private equity is inherently opaque and only buys businesses to flip them for a quick profit, often profiting from failure, which makes it harder to hold them accountable when services are lost or increase in cost. For example, Kids & Company, a private equity backed child care chain, has over 150 centres across Canada.

2. Shareholder dividends are prioritized:

Corporations are beholden to their shareholders while private equity is beholden to Limited Partners (LPs) like pension funds or high-net worth investors. In order to provide the largest investment return possible, working conditions, service quality and accessibility, and public benefit are sacrificed under the guise of efficiency and cost savings. Long-term care, child care, child welfare, and sports are some recent examples.

3. Consumers cannot control profit margins:

Corporations and private equity can increase profit margins in service to their profit motive. In some cases private actors include non-compete clauses in government agreements that prevent competition and with it, cost variation. With this type of control, particularly over essential services and other public goods, communities can lose access if costs are too high. Moreover, because it is difficult for communities to assess and regulate the quality of care, there is incentive to increase profit-margins by eroding working conditions and service quality.

4. Public money extraction:

Public financing and/or funding is used by corporations and private equity to own land, public assets, and/or provide essential services. The for-profit actors syphon public financing and/or funding which is meant to support local communities, into different subsidiaries and parent companies often located in another part of the world, stymieing local economic development. For example, non-Canadian companies, like WCG Services, function in Ontario's employment sector while helping to make their Australian parent company APM $2.6 billion in profits in 2025.

5. Infrastructure may be sold at any time if it is profitable to do so:

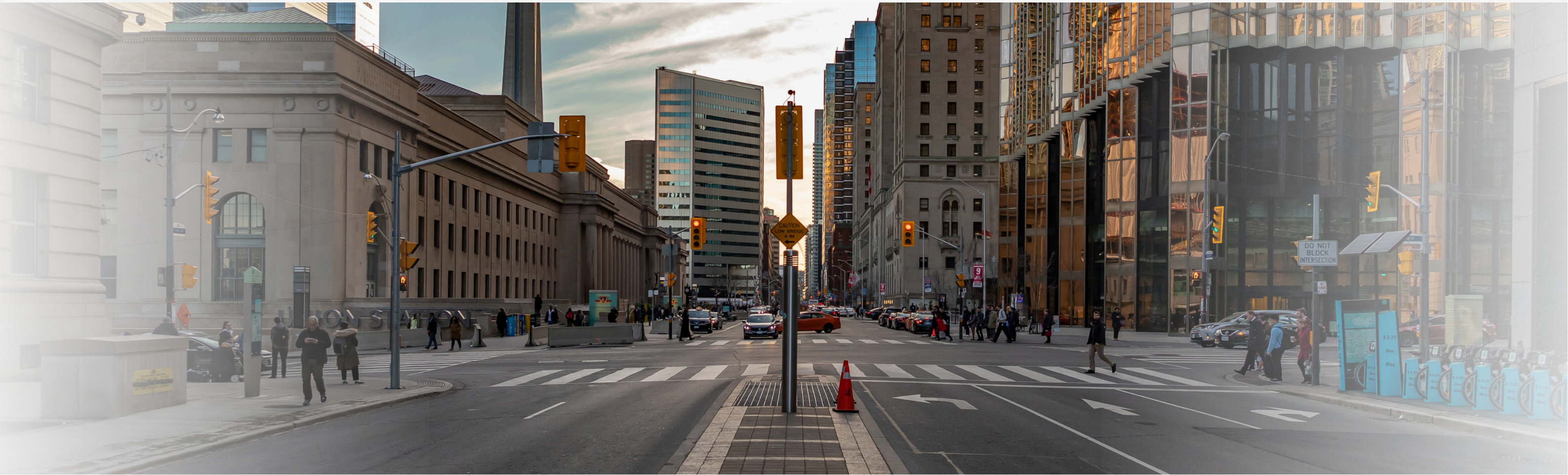
Assets acquired with significant public investment can be redeveloped or sold off in tough times (e.g. interest rates increase, recessions, etc.), when maximum projected profit and output is achieved, to service massive debt, and/or if the business is simply not considered profitable anymore. Corporations and private equity end up profiting from selling something that they never paid for. When they close up shop, they leave communities with fewer publicly owned assets as well as significant service gaps that governments have to fill all over again with additional public dollars, often at higher costs.

6. Short-term cost-savings cost more in the long-term:

Corporations and private equity firms attract government contracts and investments by providing large sums of upfront capital investment for building and service provision so the government does not have to. However, their profit-focused policies (e.g. cutting staff, serving less complex clients, etc.) cost taxpayers more in the long term when taxpayers must fund gaps in infrastructure or services that for-profits inevitably leave behind. For example, in 2018 the Auditor General found that Ontario spent $8 billion more on public-private projects than if they had simply directly done the work themselves.

Why does privatization happen?

Needs are increasing faster than investments. For-profit actors are presumed to be the only organizations with the capacity and capital to quickly fill those gaps. Moreover, given the benefits of public funding, contracts, and asset ownership, corporations and private equity aggressively seek out and advocate for such opportunities.



The following are enabling conditions in which corporations and private equity takeover:

- **Decades of government austerity measures:** Underfunding and not keeping up with investments in public services and assets leads to their degradation. Because the private sector can bring their own capital, privatization is often presented as a solution to bridge the gaps between growing public need and public service and/or nonprofit capacity.
- **Divestment from ownership from historically government-owned enterprises:** Not all public funding comes from tax dollars. Some funding comes from highway tolls, the selling of goods (i.e. alcohol), or providing hydro services. All of these bring in billions of dollars a year that can then be used to invest into healthcare, education, and infrastructure. Since the 1980s, Ontario governments have been selling off public assets and downloading the costs of public infrastructure and services to the individual tax payer while pushing off needed investments into the unforeseeable future. When there is little public money left to invest, privatization is a common solution to a problem created, in part, by selling off these assets.

The following are enabling conditions in which corporations and private equity takeover (cont'd):

- **Increased emphasis on** treating government as a business **rather than a steward of the public good:** Over the years it has become more common for taxpayers and elected officials to view government as a business that should make profits and deliver balanced budgets, instead of an entity that safeguards access and affordability to public goods and more broadly the public benefit. When the role of government is misunderstood, it can result in the enabling of privatization, mistaking providing accessible and/or affordable goods and services for poor financial management.
- **Demand**: Some programs and services will always need to be offered by the government - whether as a public good, as a way to decrease reliance on other parts of the social safety net, or because of the fundamental belief that supporting people is the best option for both people **and** the economy. Demand is also driven by demographic shifts (e.g. the ageing population) and as demand increases so does the potential to profit off of those in need.
- **Guaranteed profits subsidized by public money**: Public financing and/or funding is a guaranteed investment for for-profit actors seeking regular returns on investments. In the form of contracts, income is guaranteed and stable, often with sizable and reliable payouts. In the form of land, it is the ability to receive advantageous mortgages for public land and be able to sell it for profit in the future.

CONCLUSION

Privatization can show up in many forms and there are a myriad of ways that make a sector or service susceptible to it. Once privatization occurs it is difficult to reverse. It is critical for nonprofits to identify and understand privatization so when necessary, they can advocate to protect, maintain, and grow public services and assets that make life for Ontarians more affordable and accessible.

About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders and other stakeholders.

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