

Weekly Commentary

WHERE DO WE GO FROM HERE?

April 22, 2002

Reconsidering the Crowns (Part 1)

To many people in Saskatchewan, privatization is a dirty word. The Crowns have always held somewhat of a sacred-cow status, but after political mismanagement of the issue in the 80's, resistance to the very idea of privatization became firmly entrenched. Strong labour opposition, coupled with a provincial culture of government dependency, succeeded in characterizing the issue as something which would be bad for Saskatchewan.

But studies completed over the last few years suggest that the subject may have gotten a bad rap from those who were ideologically opposed to it. Instead of being debated on the basis of its merits and track record, Saskatchewan's debate fell victim to partisan bickering and political sniping. It eventually became a political liability, and the subject dropped out of sight on the public policy radar screen.

Invariably, the issue of privatizing Crown corporations raises many legitimate questions. Why should we consider privatization? If a Crown corporation is privatized, don't we lose control of it? How do we keep the head office in the province? Won't a lot of people lose their jobs? Won't prices go up? What about the loss of revenue to the province when dividends are no longer paid out? Don't private companies benefit a few rich shareholders, while Crown corporations benefit everyone in the province?

Fifteen years ago, little research had been done on the social and economic impact of privatization. Today that has changed. There are now well over 100 studies which have examined the outcome of privatization programs around the world. More than 36 of those have been done within the past five years.

In addition to providing answers to our questions, the information gives a solid basis to move the debate out of ideology and into practical realities. We are no longer limited to arguing about political and economic theory. Instead, we can take a hard look at the historic track record and see for ourselves what worked and what didn't.

One of the most recent reports was completed by the World Bank in October of 2001. It examined all of the evidence acquired so far through previous studies and found the following:

- When done right, privatization made the corporation better off. It improved performance and increased profitability, efficiency, output and investment – often substantially.
- Secondly, governments tended to be financially better off after privatization than before. Budget deficits declined and revenues improved as the now-private corporation started paying taxes.
- Thirdly, the economic welfare of society in general was better off. Often, along with increased profitability came

higher returns to shareholders, higher salaries for workers and expanded job opportunities.

- Fourthly, when properly carried out, privatization often led to employment gains. A previous study in 1994 examined the performance of 61 companies in 18 countries and found that, on average, employment had risen by 2,346, an increase of 6 percent.

Of the three prairie provinces, Saskatchewan is facing the greatest challenges. We have the slowest economic growth, the least immigration, the greatest out-migration, the lowest per-family income, the highest dependency ratio, the longest health care waiting lists and the most unproductive agricultural sector. Our young people are leaving, our work force is aging, there is a growing shortage of skilled labour, and rural communities are in decline. In our search for solutions and answers, it would be foolish not to reconsider the role of Saskatchewan's Crown corporations.

– *Craig Dockstader*

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