ONTARIO NONPROFIT NETWORK

EXPLAINER ON DIFFERENT FORMS OF PRIVATIZATION OF PUBLICLY-FUNDED AND DELIVERED SERVICES

Examples of privatization in Ontario

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.

Privatization is not always the outright takeover or management of previously public or nonprofit services, it can also manifest in smaller or more insidious ways. This brief provides specific examples of privatization across different sectors; and serves as a follow up to ONN's "Explainer on privatization: An overview of privatization policy and efforts".

Forms of privatization

Service contracts: For-profit actors delivering publicly-funded services

A common form of privatization is for-profit actors delivering publicly-funded services on behalf of government. Historically in Ontario, government, the broader public sector, and/or nonprofits have had a similar or higher share, ownership, and/or control of delivering publicly-funded services.

However, when publicly-funded services begin to erode after decades of band-aid public policy decisions and chronic underfunding, for-profit actors are presented as a quick-fix solution for the increased wait times, dwindling access, and filling increasing service gaps.

Examples include:

- **Canada-Wide Early Learning and Child Care Program (CWELCC):** Big box for-profit providers are able to participate in CWELCC and benefit from the funding formula which provides government funding for mortgage and rent payments. In this way, taxpayers subsidize for-profit ownership of child care real estate. When for-profit actors have extracted maximum profit from both real estate and service delivery, some pull out of the program leaving parents stranded and without affordable care.

- **Long-term care (LTC):** During the COVID-19 pandemic it became clear that the for-profit business model focused on lowering staffing ratios and rationing supplies in order to extract shareholder profit, which cost many people their lives. Cost-savings were achieved through the delivery of sub-par care as opposed to responsibly using taxpayer dollars to deliver high-quality care. This, alongside the taxpayer subsidized real estate ownership, has allowed for-profit LTC to reap the benefits of high service fees driven by demand, as well as prospective real estate gains.

Forms of privatization

Service contracts: For-profit actors delivering publicly-funded services (cont'd)

Examples include:

- **Healthcare**: In 2023, Bill 60, Your Health Act was introduced, which allowed more private for-profit clinics to perform publicly-funded surgical and diagnostic procedures like cataract surgeries. In turn, for-profit clinics used more private nursing agencies to fill staffing needs. Since its passage, Ontarians have been up-charged by for-profit companies for surgeries while for-profit clinics receive more funding per service than the public healthcare system.

- **Child welfare:** As a result of decades of underfunding, the child welfare sector already functions under substandard conditions, and these can worsen for children under the care of for-profit companies. The slim profit margins in child welfare can result in for-profits using tactics like underspending on food in an effort to extract profit

1 ONN defines for-profit actors as multinational, big box chains, publicly traded companies, and/or private equity firms.

Forms of privatization

Management contracts with oversight power: For-profit actors managing publicly-funded services

In some cases for-profit actors can be contracted by government to manage publicly-funded services. The underlying assumption is that for-profit companies are more efficient and financially competent than government and/or nonprofits to take on the administration role. With support from consulting firms and strong lobbyists, for-profits present themselves as experts, more cost-effective, and capable of saving government and taxpayer money in the immediate future. Unfortunately, much of the streamlining and cost savings is a result of using their oversight power to reduce perceived redundancies (e.g. lowering safety standards) and cutting costly expenses (e.g. staffing, servicing clients with complex needs).

Examples include:

- **Ontario's Integrated Employment Services:** During the Employment and Training transformation, for-profits sought and successfully secured Service System Manager (SSM) roles in major urban areas across Ontario, namely Toronto, Peel Region, and Kingston-Pembrook Region. In turn, the for-profit SSMs have used their oversight power and government funding to profit their overseas parent companies. According to public accounts, in 2024-2025 the Ministry of Labour, Training, and Skills Development collectively transferred $297.8 million CAD to two for-profit SSMs, some of which was meant for providers. In the same year, WCG Services, helped net their Australian parent company APM $2.6 billion CAD in profits in 2025 while Serco Group helped net their British parent company GBP €4.9 billion ($7.89 billion CAD) in profits in 2025. These profits were realized by cutting staff while increasing workloads, incentivizing providers to serve clients with less complex needs, and offloading complex clients onto underfunded nonprofits, ensuring higher profit margins.

Forms of privatization

Public asset ownership: For-profit actors owning public assets

Selling off public assets like highways, hydro, and/or airports is seen as an efficient way to balance yearly budgets and create one-time financial injections into government priorities. Unfortunately, this choice often fails to recognize that consistent income from public assets supports programming long-term, and that it can be difficult to replace that income once the asset is sold. In the end, the sale often leaves future generations without the consistent revenues to keep publicly-funded services and infrastructure, including schools and healthcare facilities, up and running. This inevitably leads to increased costs for taxpayers as for-profits are able to charge what they want.

Examples include:

- **Highway 407:** In 1999, in a proposed effort to pay down provincial debt, the provincial government leased Highway 407 to a consortium led by Spanish construction giant Grupo Ferrovial. The agreement sold the highway for a flat fee of $3.1 billion. The highway was paid for using an estimated $1.5 billion in tax dollars. It was estimated that the highway would be paid for through tolls, and within 30 years it would become a toll-free highway. But the lease agreement gave the consortium the profits from the toll highway for 99 years and the right to raise tolls at will. During the initial 15-year period of private ownership, tolls increased by more than 300 per cent, officially enabling profit extraction directly from taxpayers.

Forms of privatization

Public asset ownership: For-profit actors owning public assets (cont'd)

Examples include:

- **Water infrastructure**: Introduced in 2025, Bill 60, Fighting Delays, Building Faster Act (Schedule 16) does not directly privatize water, but it does open the door for future privatization. The legislation transfers jurisdiction over these services from the Region of Peel to three lower-tier municipalities, and establishes a new public corporation to manage infrastructure funding. The bill makes a new species of corporation that can be publicly owned, but has no protections to ensure it stays that way. In 1994, the city of Hamilton experimented with privatizing water with Philips Utilities Management Corporation. This resulted in 135 million litres of raw sewage spilling into the harbour, and flooded basements and businesses in 1996, and eventually cost taxpayers millions to clean up and to make fully public again.

Data contracts: Private entities and Canadian data

Framed as a pathway to cutting costs and streamlining services, governments have often turned to the private sector to house or process Canadian data (e.g. healthcare, government payroll data, etc.). In reality, risks include lack of accountability, data monetization, and increasing costs as governments are forced to fix the issues created by for-profit contractors.

Forms of privatization

Data contracts: Private entities and Canadian data (cont'd)

Examples include:

- Phoenix pay system: Phoenix is a payroll processing system launched in 2016 for Canadian federal government employees. The software was introduced as a replacement for the Canadian government's own 40-year old Regional Pay System. Provided by IBM and run by Public Services and Procurement Canada, the Phoenix software deal netted million dollar contracts for the American tech company, but failed to deliver. Instead of saving $70 million a year as planned, a senate report stated that the cost to taxpayers to fix the system's problems could reach a total of $2.2 billion by 2023. As of June 2025, the system has cost taxpayers more than $5.1 billion.

CONCLUSION

Privatization can manifest in many forms and there are a myriad of ways that, once present, privatization can extract profit from our services, public assets and even data. Once privatization occurs it is not only difficult to reverse, but also costs taxpayers an immense amount of money to fix.

Privatization also impacts nonprofits both directly and indirectly. As privatized services and assets fail to serve those who need them and/or increase everyday costs for taxpayers, the public and the nonprofit sector are expected to pick up the slack. It is critical for nonprofits to identify and better understand privatization policy and efforts so they can better advocate to protect, maintain, and grow public services and assets that make life for Ontarians more affordable.

About ONN

ONN is the independent nonprofit network for the 64,000 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 interest holders.

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