

ACU Foundation's Seven Principles of Privatization

The American Conservative Union Foundation (ACUF) has outlined and defined Seven Principles of Privatization that establish a framework to determine whether a reform effort results in an agency's privatization. We apply a three-tiered grading scale to each of the Seven Principles in this evaluation.

Below are the Seven Principles of Privatization:

1. Privatization transfers enterprise ownership, in whole or in part, to private hands or transfers the use of an asset to private hands for a sufficient time so as to replicate ownership (i.e. a 50 year concession or lease structure). Private enterprises are allowed to compete for the ownership either by bidding for an upfront payment, profit sharing over time or by setting service standards. Examples include the British rail system and the dissolution of government run enterprises in formerly communist countries (e.g. Poland and Czechoslovakia).
2. Privatization allows the new enterprise to choose its employees and their compensation. Similarly, the board of directors will be comprised exclusively of non-government employees.
3. Privatization allows the new enterprise to decide on the price of its product or service.
4. Privatization allows the new enterprise to determine capital expenditures and to employ the use of new or innovative technologies, usually subject to some minimum level of operating or service standard.
5. Privatization allows investors to participate in the process of ownership and to reap the ongoing financial reward associated with their investment or capital outlay.
6. Privatization transfers the risk of operation to the private sector.
7. Privatization ensures the taxpayer's burden is limited and the quality of the resulting service or product is improved.

