Tom Graham, President, CUPE SK
Council – City of Regina
Mon., March 26, 2012

RE: Regina Administration Bylaw 2003-69, Schedule D "Purchasing Policy" amendment that a Public Private Partnership (P3) delivery model should be considered as an alternative to traditional procurement

DE12-26

Good evening your Worship, Mayor Pat Fiacco, and Councillors.

I appreciate the opportunity to address Council on behalf of the Canadian Union of Public Employees – Saskatchewan Division representing over 29, 000 members who work in various sectors, boards and agencies across the province and who go to work daily here in the City of Regina and, many of whom, also work as employees of the City of Regina.

Councillors, you have before you a recommendation by the Executive Committee to amend the Regina Administration Bylaw No. 2003-69 Schedule D concerning Purchasing Policy. In particular, the amendment for consideration would allow for consideration of Public Private Partnerships, commonly referred to as P3s.

It is the view of the Canadian Union of Public Employees, supported by many examples across Canada already and evidence by way of news reports, studies and a relatively recent book published on the subject of P3s by economist John Loxley, that Public Private Partnerships - P3s – are not in the best interests of our citizens.

The P3 model approach mainly differs from conventional approaches in that P3s are ventures where the private sector become not just a partner but a main actor in the provision of a previously public service.

It's a privatization deal that uses a different name to accomplish the same thing – the public losing control over its services and key infrastructure and, as is proven most often from P3s projects already in existence, P3s impose large and mostly unadvertised costs on taxpayers and rarely come in on budget or even on time.

The private sector likes P3s so much because of the fact that P3s almost always have a clear winner and loser. The winner is private companies where P3s give private companies the ability to directly charge the public sector and changes the nature of the relationship the public has with the service provided and introduces user fees and charges, both unexpected and expected. In cases where a P3 gives an effective monopoly, the costs to the public and individual taxpayers become particularly problematic.

While each P3 contract may be different, they should not be confused with an arms-length supplier only relationship.

We want to clarify what we are speaking of when we refer to Public Private Partnerships. P3's are long term agreements between various levels of government and private companies with a variety of configurations but generally include private financing, ownership and operation.

Our concerns with these agreements centre around cost to taxpayers, accountability and governance. Some will argue our union sees P3's as a threat to our members' employment and, while we do not apologize for defending our members, the problems with P3's are much more widespread.

Public Private Partnerships have existed for years beginning in Great Britain under the Thatcher government and referred to then as Private Finance initiatives. Rather than being an answer to economic woes these agreements resulted in water, telephone and rail service being handed to the private sector with increased costs to citizens while service levels deteriorated dramatically.

In this country there are many examples of P3's; none accomplishing the goals they were touted to provide.

CUPE is well aware of the huge infrastructure deficit we face in this country. Years of neglect have seen our water and sewer systems, roads and buildings slowly decay to a point where an estimated 125 billion dollars is required just to catch up. We are well aware of the pressures faced by elected leaders to keep costs down however there is no avoiding the fact that we either pay to repair and improve our infrastructure or we do without it, which really is not an option.

Proponents of P3's argue they relive governments of the financial obligation of capital projects, transfer risk to the private sector and that they are on time and on budget.

Evidence tells a different story.

From the financial perspective, governments can borrow money at a lower rate than a private company. For any business to remain viable it must certainly recover its costs and gain some profit from its investment. These factors should make it clear there is no advantage from a financial perspective. A recent example of this is the Amicus Long term care facility in Saskatoon—a P3's financing scheme that will cost taxpayers an additional 10-20 millions dollars over the cost of traditional financing.

This is just one of many examples of cost overruns and questionable methodology used in P3's.

The use of public private partnerships is very controversial, particularly for water and wastewater projects. In Abbotsford, British Columbia a public referendum on the use of a P3 for a drinking water project was recently defeated by 75% of voters.

Prior to this vote on September 6, 2011, the District of Mission which had been part of the discussions of this P3 project, passed the following motion:

> *RESOLVED: That Council write to the Federal Government requesting that funding be made available for non-P3 water infrastructure projects to the same degree as P3 infrastructure projects, and further that a copy be given to Mission's Member of Parliament and Members of the Legislative Assembly.*[1]

[1] http://www.mission.ca/wp-content/uploads/rc20110906.pdf

Fraser Valley Regional District passed a similar resolution in November 2011. Telkwa BC, Port Alberni, BC and the Town of Princeton, BC have all passed resolutions asking that Federal funding be provided for municipal infrastructure without P3 strings attached.

Other municipalities have reversed decisions to use P3s to build infrastructure because the projects were going to be more expensive than traditional procurement.

Langley spent over $8 million to buy out the P3 partner in 2010 when it realized the project was going to be much more costly than if through public financing. In 2004 the city of Cranbrook bought out a private sector partner in a Rec Plex facility. The mayor stated "In essence the City now controls its own destiny...The community has been paying all the freight but didn't have day-to-day control. If we're going to be paying for the bus, we might as well be driving it."[2] The Port Mann Bridge was going to be built as a P3 but after the private consortium suffered huge financial losses during the 2008 financial crisis and the B.C. government had to fund the project with public funds.[3]

With the encouragement of PPP Canada consultants, the City of Calgary, spent millions of dollars preparing P3 proposals only to be turned down in the end by PPP Canada.

The Federation of Canadian Municipalities has established an Infrastructure Forum that will explore funding options for municipal infrastructure. We believe it is premature for the City of Regina to jump on the P3 bandwagon before the FCM Forum has the opportunity to do its work.

Conclusion

As is clear with the examples I provided, municipalities across Canada are beginning to question the use of P3's and many Auditors General have stated that that the benefits of P3's are dramatically overstated.

Risk transfer to the private sector is again an overstated benefit of a P3's. Some may argue that cost overruns and performance issues can be addressed within the contract but ultimately it is the government who bears the true risk at the end of the day. An Example of this occurred in the towns of Weyburn and Kindersley when both communities handed there recreational facilities to Recreation Services International Which raised user fees and ultimately went bankrupt leaving the municipalities holding the bag to keep the facilities operating.

Are P3's on time and on budget? Again no evidence supports this.

P3's must begin with drawing up contracts that are lengthy and therefore expensive and time consuming to produce. Once a project actually starts there are many examples showing a significant increase over the initial budget for the project.

[2] "Keen Rose bails out of Rec Plex agreement," The Daily Townsman, December 31, 2004.
[3] "Port Mann Project Proceeds Using Design-Build Contract," BC Ministry of Transportation and Infrastructure New Release, February 27, 2009.

On behalf of the Canadian Union of Public Employees, I urge you to reconsider including P3's as part of your purchasing policy .

We suggest it is unnecessary to begin with as nothing prevents the City of Regina from looking at them now. But, by including this as part of your purchasing policy, you may in fact tie the hands of future councils in light of new rules being created in existing and upcoming trade deals such as the Canadian Economic and Trade Agreement referred to as CETA.

We also would encourage you to have a open discussion on the subject and include it as a subject of referendum in the upcoming municipal election.

You will find enclosed with our submission two attachments consisting of "Appendix A – Questioning the Assumptions of P3s" (3 pages) and "Flawed. Failed. Abandoned. 100 P3s—Canadian & International Evidence" (48 pages).

Questioning the assumptions of public private partnerships

On its web page PPP Canada pronounces that:

- Across Canada, governments have begun to recognize the value of engaging private-sector innovation to build more for less, where possible, and deliver savings that will help to fill the infrastructure gap.
- P3s provide on-time, on-budget projects which deliver effective infrastructure over their useful lives.
- P3s are a long-term performance-based approach for procuring public infrastructure where the private sector assumes a major share of the responsibility in terms of risk and financing for the delivery and the performance of the infrastructure, from design and structural planning, to long-term maintenance.
- Inadequate incentives and contractual discipline: contracts often do not include sufficient incentives for scope and cost discipline; cost-based contracts can, in fact, create perverse incentives for contractors to encourage change orders and cost increases.

P3s Cost Less than Traditional Procurement?

Quebec and Ontario (Auditors General) auditors have questioned the methodology for comparing P3s with more traditional procurement. One of the most important assumptions used by P3 promoters is that governments do not borrow money to finance projects. The Ontario Auditor General said:

> *In comparing the design and construction costs of the two options, [*William Osler Health Centre *(WOHC)] assumed that there would be no financing if the government undertook the project itself, but that the [P3] arrangement would be financed over 25 years. It justified this assumption by noting that in the past, hospitals were required to have their share of project costs available before the Ministry would approve any projects.*

> *Governments do have the capacity and the option of financing and typically obtain a lower debt interest rate than private-sector borrowers do. The province's 5.45% cost of borrowing at the time the agreement was executed was cheaper than the weighted average cost of capital charged by the private-sector consortium. Had the province financed the design and construction costs under the same terms as the private-sector partner but used its lower rate, we estimate that the savings in financing costs would be approximately $200 million ($107 million in 2004 dollars) over the term of the agreement.*[1]

Do P3s really transfer risk to the private sector?

[1] Auditor General of Ontario, 2008 Annual Report, Chapter 3.03 Brampton Civic Hospital Public-private Partnerships Project, page 115.

Auditors General in Quebec and Ontario have found that risk can be transferred in traditionally developed infrastructure projects and that P3 project analysis exaggerates the amount of risk involved.

Looking at a Quebec Hospital project, the Quebec Auditor General said:

> *Indeed, choosing a different conventional project delivery method - such as the turnkey approach - could also have improved public sector efficiency by giving a design and construction contract to a group of companies. It would also allow construction to be fast-tracked. In such a case, calls for tender are issued as soon as detailed plans and estimates for a lot are completed, thereby saving time.*[2]

Looking at an Ontario hospital project, the Ontario Auditor General said:

> *Another concern we had was the $67 million in transferred risks that was added to the November 2004 government design-and-build estimate. This amount was arrived at on the basis of the judgment and experience of management and consultants. Owing to the subjective nature of these estimates, it is virtually impossible to substantiate the validity and accuracy of the quantified amounts. We were concerned that the transferred risks for this project amounted to almost 13% of the November 2004 government design-and-build estimate of $525 million. In comparison, actual cost overruns (a major component of risk transfer) in the design and construction of the Peterborough Regional Health Centre - a hospital built under the traditional procurement approach during the same period - were about 5% of the total contract value.*[3]

Are P3s on time and on budget?

Once again, P3 promoters can only make these claims with an elaborate set of assumptions. P3s may be delivered "on time" within the terms of the contract, but they take much longer to deliver than traditionally procured projects. The government of British Columbia acknowledged this in 2008 when it raised the threshold for consideration of P3s from $20 million to $50 million saying:

> *As part of the government's commitment to accelerate capital infrastructure projects the threshold has been increased for any provincially-funded capital project to be considered as a public private partnership.*[4]

In terms of "on budget" virtually every P3 project has risen in cost substantially between the time of its announcement and the financial close of the project.

Do Traditional Projects lack "cost-discipline"?

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[2] Rapport du Vérificateur général du Québec, paragraphe 5.67.
[3] Auditor General of Ontario, 2008, page 112
[4] http://www2.news.gov.bc.ca/news_releases_2005-2009/2008FIN0019-001677.pdf

Economist Dr. Marvin Shaffer examined the Partnerships BC methodology for cost discipline and makes the following observation:

> *Bonding and warranty arrangements can be used to ensure cost and performance guarantees are met in more traditionally procured processes – that risks the builders can manage are effectively transferred. The model PBC has recently turned to, whereby the winning bidder must provide some equity, but the balance of the capital cost is financed by government can also ensure long term performance guarantees are met. PBC recognizes this is a lower cost arrangement than their preferred P3, particularly with the recent turmoil in the private capital markets, but alternatives like this aren't even considered in its standard methodology.*
>
> *The point is that PBC's methodology makes no effort to determine the optimal procurement arrangement, one that minimizes cost to the taxpayer, while still achieving appropriate, cost-effective risk transfer and private sector participation in the project.*[5]

Do P3s provide value for money through competition?

Again, Auditors General have questioned this claim. With respect to a hospital project Ontario's Auditor General said:

> *There was no formal analysis of whether the market had sufficient capacity and was competitive enough to support a P3 arrangement for the project. Our review of available information suggested that only a limited number of construction contractors in the province are able or willing to undertake a project of this size. The same construction companies would be involved in the bidding and work regardless of whether WOHC followed the traditional procurement or P3 approach.*
>
> *At the direction of the Ministry, WOHC was also asked to engage the private sector not only to design and build the new hospital, but also to provide maintenance and non-clinical services for it. As most private-sector companies specialize in providing either capital construction or operational support services, the mingling of the two further limited the number of companies qualified to deliver the P3 arrangement.*[6]

The current approach to P3 procurement has also been questioned by the construction industry itself. Canadian Construction Association Chair Dee Miller told Business in Vancouver Magazine that P3s so far:

> *...have worked only for a handful of very large Canadian construction firms. Ninety percent of Canadian construction industry, however, is made up of small and medium sized firms.*[7]

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[5] Shaffer, PhD, Marvin, Review of Partnerships BC's Methodology for Quantitative Procurement Options: Discussion Draft, November 2009, page 3, http://www.cupe.bc.ca/sites/default/files/nov_19_shaffer_oct_09_pbc_evaluation_methodology.pdf

[6] Auditor General of Ontario, 2008, page 108

[7] Martin, Brian, CCA Head sounds a warning, Business in Vancouver Magazine, Oct 11-17, 2011, page C16.

APPENDIX "2"

FLAWED
FAILED
ABANDONED

100 P3s

Canadian & International Evidence

FLAWED
FAILED
ABANDONED

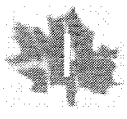
100 P3s

Canadian & International Evidence

By Natalie Mehra
Ontario Health Coalition

With research and support from:
BC Health Coalition
Canadian Health Coalition
Council of Canadians
Canadian Union of Public Employees
Friends of Medicare/Alberta
National Union of Public and General Employees

March 2005



Introduction

PUBLIC PRIVATE PARTNERSHIPS (P3s) are spreading across Canada. Yet the international and domestic evidence shows that the claims of P3 proponents deserve close and careful scrutiny. This report gives a brief overview of 100 projects from Canada and abroad. While P3 proponents claim that projects come in "on time" and "in budget", the evidence does not bear out these assertions. Many projects are late and serious cost overruns are frequent. The bifurcation of management or ownership of public services entailed in these deals leads to serious conflicts of interest between corporations that seek to maximize profits and public services that seek to meet community needs and contain budgets, leading to costly legal disputes and quality issues. Moreover, in the negotiation of P3 deals, the public sector has not been able to achieve P3 proponents' claims of value for money or risk transfer.

This report does not tell the whole story. P3s have also increased inequality, boosting salaries for executives and remuneration for expensive consultants and lawyers while decreasing pay and working conditions and reducing access to services. Democratic control has been sacrificed to commercial secrecy and private for-profit management. High costs have led to service cuts and diminished access. Long term commitment of large revenue streams to lease deals has an unmeasured impact on government flexibility and public policy decision making. All of these issues and more deserve closer study, but are beyond the scope of this report.

It is our hope that governments considering P3s will take the time to critically assess the claims put forward by the P3 lobby. At stake are billions of dollars in public money and democratic control of our public services.

Our research yields several critical themes and trends that governments considering P3 developments would do well to consider.

Key Issues

- **Cost Overruns**

These often occur during the negotiation phase of the contract.

Even after the contract is negotiated, increased transaction costs, legal and consultant costs, and costs incurred by environmental disasters, bankruptcies and other serious incidents are frequent.

- **Delays**

These often occur during the negotiation phase of the contract. Even after the contract is negotiated serious delays occur in projects.

- **Design and Construction Flaws**

Designs are created to meet the needs of the consortium, not necessarily the needs of the community.

Poor design has plagued British P3 hospitals, including small and cramped spaces for public services in order to maximize potential for commercial development on the site, relocation of institutions to cheap land in order to maximize development potential in city centres, and inappropriate location of services within institutions.

Poor construction causing mishaps and disasters has also been a factor in several projects.

- **Quality Problems**

Inspection reports detailing serious quality problems, environmental disasters and serious accidents have occurred in several projects. In the worst cases, accidents have been fatal.

- **Legal Disputes**

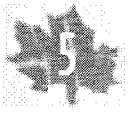
These are not uncommon and have proven costly for the public, compromising enforcement of contract provisions and risk transfer.

- **Failed Contracts, Bankruptcies**

In several cases, governments and authorities have been forced to buy out contracts due to total failure or bankruptcy.

- **Service Cuts**

The high costs of P3s have caused service cuts and a shrinking scope of services publicly covered. In several projects, the business cases for P3s have rested on unrealistic assumptions of productivity and exaggerated claims of value for money that have proven false. In several cases, the redirection of public funds into P3s has pushed further privatization and reduced access to services.



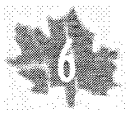
The Horrid 100

CANADIAN

1. Abbottsford Regional Hospital and Cancer Centre P3, BC. Flawed.
2. Accenture Ministry of Social Services Business Transformation Project P3, ON. Flawed.
3. BC Medical Services Plan and PharmaCare P3. Flawed.
4. Bruce Nuclear P3, ON. Flawed.
5. Calgary Southeast Hospital P3, Alta. Abandoned.
6. Calgary Courthouse P3, Alta. Failed.
7. Charleswood Bridge P3, Winnepeg, Man. Flawed.
8. Coquihalla Highway P3, BC. Abandoned.
9. Confederation Bridge P3, PEI. Flawed.
10. Cranbrook Civic Arena P3, BC. Failed.
11. Duke Point Hydro P3, Nanaimo, BC. Flawed.
12. Edmonton Grocery Store High School P3, Alta. Failed.
13. Evergreen Park School P3, NB. Flawed.
14. Foyer Saint-Charles Long Term Care Home P3, Quebec City, Que. Flawed.
15. Greater Vancouver Regional District Seymour Water Filtration Plant P3, BC. Abandoned.
16. Greater Vancouver Transit Authority Rapid Transit P3, BC. Flawed.
17. Hamilton Entertainment & Convention Facility Inc. P3, ON. Abandoned.
18. Hamilton-Wentworth Water & Wastewater Treatment P3, ON. Abandoned.
19. Halifax School P3, NS. Flawed.
20. Highway 407 P3, ON. Flawed.
21. Long term care facilities, 13,000 private beds, ON. Flawed.
22. Maple Ridge Downtown Redevelopment P3, BC. Abandoned.
23. Nelson Recreation Complex P3, BC. Abandoned.

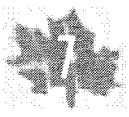
24. - 54. Nova Scotia Schools (30) P3. Program cancelled

55. PEI Hospital P3. Abandoned.
56. Port Alberni Civic Arena P3, BC. Abandoned.
57. Royal Ottawa Hospital P3, ON. Flawed.
58. Swan Hills Waste Management Facility, Alta. Abandoned.
59. St. Albert recreational facility P3, Alta. Abandoned.
60. Timmins and District Dialysis Centre P3, ON. Failed.
61. Vancouver Trade and Convention Centre P3, BC. Failed.
62. Victoria Arena & Entertainment Complex P3, BC. Flawed.
63. Welland Community Centre P3, ON. Failed.
64. William Osler Health Centre P3, Brampton, ON. Flawed.



INTERNATIONAL

65. Channel Tunnel Link, UK. Failed.
66. Cumberland Infirmary P3 in Carlisle, UK. Flawed.
67. Dartford and Gravesham (Darent Valley Hospital) P3 in Kent, UK. Flawed.
68. Edinburgh Royal Infirmary P3, Scotland, UK. Flawed.
69. East London and City Mental Health Trust P3, East London. Failed.
70. Fife Council Schools P3, Scotland, UK. Failed.
71. Glasgow Schools P3, Scotland, UK. Flawed.
72. Hereford Hospital P3, UK. Flawed.
73. La Trobe Hospital P3 in Victoria, Australia. Failed.
74. Lister Hospital in Stevenage, UK. Flawed.
75. London Underground P3, UK. Flawed.
76. Modbury Hospital P3 in South Australia. Flawed.
77. Network Rail P3, UK. Failed.
78.-83. Norfolk Schools P3, UK. Failed.
84. Norwich and Norfolk University Hospital P3, UK. Flawed.
85. Paddington Health Campus P3, London, UK. Flawed.
86. Parc Prison P3, Wales, UK. Flawed.
87. Port Macquarie Base P3 Hospital in New South Wales, Australia. Flawed.
88. Princess Royal University Hospital P3 in Bromley, South London, UK. Flawed.
89. Princess Margaret Hospital P3 in Swindon, UK. Flawed.
90. Royal Calderdale Hospital P3 in Halifax, West Yorkshire, UK. Flawed.
91. Skye Bridge P3, Scotland, UK. Failed.
92. Tower Hamlet's schools P3 project, UK. Failed.
93. Queen Elizabeth Hospital P3 in Greenwich, South London, UK. Flawed.
94. University Hospital P3 in North Durham, UK. Flawed.
95. University College London Hospitals P3, Central London, UK. Flawed / Failed.
96. Walsgrave Hospital P3 in Coventry, UK. Flawed.
97. West Midland Hospital P3. Flawed.
98. West Middlesex Hospital P3 in Isleworth, West London, UK. Flawed.
99. Whittington Hospital P3, UK. Flawed.
100. Worcestershire Infirmary P3, Worcestershire, UK. Flawed.



The Canadian Evidence

1

Abbottsford Regional Hospital and Cancer Centre P3, BC

FLAWED

Flawed:
cost overruns, delays.

To date the government has spent over $7 million in administrative costs to pursue projected savings that were initially estimated at $3 million over the length of the 30+ year contract. Construction costs have increased from $210 million to $355 million, and the annual operating lease for the private sector contractor has doubled from $20 million to $41 million. Legal and consultant costs for this deal are budgeted at $24.5 million which will be paid by the public.

Source

Metro Valley Newspaper Group, "Construction costs increase hospital price", Wednesday, 16 February 2005, pg 0034, and "Changes boost costs", Thursday, 10 February 2005, pg 0003. Metro Valley Newspaper Group, "Legal bill for P3 hospital on public tab", Tuesday February 15, 2005, page 0016.

2

Accenture / Ministry of Social Services Business Transformation Project, P3, ON

FLAWED

Flawed:
cost overruns, technical problems, inflexible.

In 1997, the Ministry of Community and Social Services contracted with Anderson Consulting to revamp their outdated computer system.

Anderson — which changed its name to Accenture in 2001 — was to be given up to $180 million in savings projected from the contract. The cost rose to $284 million, according to the provincial auditor who noted that the deal gave Anderson Consulting a "disproportionately high rate to the disadvantage of the Ministry."

Despite the auditors warnings and serious technical glitches with the program, the province signed another deal for $32 million

with Accenture in 2002 to maintain the system that only they could run. Ultimately the system cost taxpayers $500 million with training costs and other expenditures.

In 2004, it was found that the system was unable to calculate a 3% welfare increase for recipients and would require another $10 million to fix and $7 million to test.

Source

Toronto Star, "How costly computer sparked a 'nightmare': Social services system 'inflexible from Day 1,' expert says," Richard Brennan and Robert Benzie, July 10, 2004.

3

BC Medical Services Plan and PharmaCare P3

FLAWED

Flawed:
inadequate risk transfer, concerns over privacy of information.

The BC government contracted the administration of the Medical Services Plan & PharmaCare to Maximus Inc., a US company. Under the American Patriot Act, health records held by Maximus are subject to secret search and seizure by US Authorities. BC's privacy commissioner warned the government of the risks of this private contract.

Source

CP, Victoria, May 28, 2004. "BC Privacy Watchdog seeks US government, FBI input in Patriot Act probe" by Dirk Meissner. Also see Privacy Commissioner's Report at: www.righttoprivacycampaign.com

4

Bruce Nuclear P3, ON

FLAWED

Flawed:
high costs, poor risk transfer.

Bruce Power, a wholly owned subsidiary of British Energy, announced an agreement with Ontario Power Generation to lease and operate the Bruce "A" and "B" nuclear generating stations until 2018, with an option to lease for another 25 years.

Termed a "sweetheart deal" for British Energy at the time, the deal left OPG with the responsibility for the cost of nuclear waste management and disposal as well as plant decommissioning (estimated at $7.5 billion). Bruce Power's initial lease payments were $625 million, and it has to pay annual rent based on its revenue (estimated at $150 million in 2002).

These represent a fraction of the profits the corporation was expected to reap. Once again, the government retained much of the risk and the corporation was given the right to walk away from the lease any time after 2006 if it isn't making enough money.

Later that year, Cameco Corporation, from Saskatchewan, acquired a 15% stake in Bruce Power. In 2002, British Energy went bankrupt and sold their 82.4% stake in Bruce Power. TransCanada Pipelines and BPC Generation Infrastructure Trust (established by the Ontario Municipal Employees Retirement System -- OMERS) each acquired a 31.6% stake in Bruce Power and Cameco increased its stake to 31.6%.

5

Calgary Southeast Hospital P3, Alta

ABANDONED

Abandoned.

P3 deal cancelled. Jack Davis, head of the Calgary Health Region, announced on August 8, 2004 that the new southeast hospital is moving forward, but not as a P3. Mr. Davis said the hospital is "much more complex than an office building" and that no one has more expertise than the health region to build this hospital.

Source

Calgary Sun, August 8, 2004. "CHR cures P3 hospital pain: Fixed-rate savings bond available to the public will help pay for $500m facility." Calgary Herald, Monday 09 August 2004. "Region will build new hospital alone: Private partnership plans for south facility abandoned" pg B1.

6

Calgary Courthouse P3, Alta

FAILED

Failed:
costs up by 66%, design flaws.

When the cost for a one-stop super courthouse jumped 66 %, to $500 million from $300 million, moves were made by the province to pull back from the P3 model. Justices complained that the design of the courthouse was flawed and filled the needs of the developer, not the court. After intense negotiations between the P3 consortium GWL Realty Advisors and the provincial government, the province decided to build the facility publicly.

Source

Edmonton Journal, "P3s dicey for education, health sectors – think tank", Sunday June 13, 2004. Pg A12. Edmonton Journal, "Province likely to pick up entire bill for super courthouse", April 28, 2004. Calgary Sun, "Province Trumpets P3 Myth", August 19, 2004.

7

Charleswood Bridge P3, Winnepeg, Man

FLAWED

Flawed:
high costs.

On a contract totalling $11.6 million, the Charleswood Bridge P3 was found to have cost taxpayers $1.4 million more than if the bridge was built publicly. Over 10% of the project cost was eaten up by the cost of preparing and evaluating the bids.

Source

John Loxley, Department of Economics, University of Manitoba.

8

Coquihalla Highway P3, BC

ABANDONED

Abandoned:
high costs and poor accountability.

The provincial government cancelled its plans to privatize the interior toll highway under a 30 year P3 contract after it faced massive public opposition due to concerns of increased costs and lack of accountability.

Source

www.nupge.ca/news_2003/n24jy03a.htm

9

Confederation Bridge P3, PEI

FLAWED

Flawed:
high costs.

Canada's Auditor General found that the bridge cost $45 million more than it would have had it been built publicly. The consortium, Strait Crossing Development Inc., will operate the bridge for 35 years paid through tolls and public lease payments. In the first year, tolls increased by $8 per car. The Auditor General found that the financial risks were born by the public and the public sector price comparator was inflated, making the P3 seem more cost effective than it is.

Source

Report of the Auditor General of Canada, 1995, Northumberland Strait Crossing Project.

10

Cranbrook Civic Arena P3, BC

Failed:
delays, cost overruns, legal disputes.

FAILED

The P3 project officially failed five years after implementation, following lengthy construction delays, cost overruns and legal disputes. The private sector operator paid the City of Cranbrook $1.7 million to resume ownership and operation of the facility earlier this year.

Source

Vancouver Sun, 05 August 2004, pg B3.

11

Duke Point Hydro P3, Nanaimo, BC

Flawed:
high costs, inflexible.

FLAWED

The proposed deal requires BC Utilities Commission to make annual payments to Duke Point Power Ltd. plus a levy when natural gas power is used for the length of the 25 year contract.

According to Dan Potts, Executive Director of the Joint Industry Electricity Steering Committee representing major industrial users of purchased electric power in BC, the deal, "raises the real possibility that high fuel costs and low utilization will make the power from this plant horrendously expensive."

He concludes, "Better options must be developed if BC Hydro is serious about supplying reliable low-cost power for generations."

BCUC rejected a previous similar proposal in 2003.

Source

The Vancouver Sun, "The flaws in the Duke Point Deal," Editorial, Dan Potts, pg A15, Tuesday, November 16, 2004.

12

Edmonton Grocery Store High School P3, Alta

FLAWED

Failed:
disputes over regulation.

In 2002, the Catholic school board forged an agreement with Sobey's grocery store to jointly build a new school in Callingwood.

The board was to contribute the $12.6 million it had received from the province for the project and the grocery chain would contribute $3.2 million, leasing space in the building from the school board. City officials objected to the plan because the land was never intended for commercial development.

The project developers violated a requirement that developers hand over 10 per % of the land in any new housing project for future schools and parks.

Other businesses were upset because Sobey's got the school board deal without any tendering process. Ultimately the deal failed.

Source

Edmonton Journal, "Don't succumb to public-private solutions", Editorial, Thursday, June 3, 2004.

13

Evergreen Park School P3, NB

FLAWED

Flawed:
high costs.

The New Brunswick Provincial Auditor found the school cost almost $1 million more, on a $14.7 million project, than if the school was built publicly.

Source

New Brunswick, Provincial Auditor's Report on Evergreen School P3.

14

Foyer Saint-Charles Long Term Care Home P3, Quebec City, Que

Flawed:
high costs.

FLAWED

A government-commissioned study found that the proposed P3 long term care facility would cost $14 million more than it would to build the facility publicly and $110,000 more per bed than it would to manage the facility publicly over the 25 year duration of the proposed contract.

The study by Mallette Services-conseils was kept quiet by the government, but was released after a successful Freedom of Information request.

Source

CUPE Quebec press conference, January 20, 2005.

15

Greater Vancouver Regional District Seymour Water Filtration Plant P3, BC

Abandoned:
high costs and poor accountability.

ABANDONED

The GVRD cancelled plans for a P3 to build and operate a new water filtration plant after more than 1,000 community members attended consultations raising concerns over the cost and accountability of the project. Primary concerns included the threat of NAFTA Chapter 11 State-Investor Clause trade suits.

Source

GVRD water decision a "great public victory" says CUPE (CUPE News, June 29).

16

Greater Vancouver Transit Authority Rapid Transit P3, BC

FLAWED

Flawed:
high costs, inadequate risk transfer.

On May 7, 2004 the GVTA voted against a planned P3 rapid transit project citing high costs and public risk. In retribution, the provincial government threatened to cancel all provincial funding and the business community called for the GVTA to be dissolved. A second vote was taken, this time resulting in a tie. Pressure was intensified on the GVTA. Finally, on a third vote, the P3 was pushed through in June 2004.

The deal includes a guarantee to the private consortium that they will be paid on the basis of 100,000 rides per day even though there are currently only 40,000 riders on the three parallel bus routes that serve Richmond - Vancouver.

Bids have come in significantly over the budget. A review by the Underhill Company for Vancouver City Council found the P3 does not transfer substantial risk to the private sector.

Source

Vancouver Sun, "RAV strategy moves control away from local authorities", Editorial by Murray Dobbin. Tuesday 27 April 2004, pg A13.

17

Hamilton Entertainment & Convention Facility Inc. P3, ON

ABANDONED

Abandoned:
inflexible, reduced community access.

The City of Hamilton solicited expressions of interest for a P3 at the convention facility. It also commissioned a report from KPMG on the governance and operations of the public non-profit facility. After reviewing the KPMG report and the expressions of interest,

City Council abandoned the P3 proposal as it would reduce access to the facility for community groups and would be too inflexible, according to City Councillors.

Source

Dundas Star News, "Restructured HECFI seeking alternative sources of revenue", pg. 40. Friday November 12, 2004.

18

Hamilton-Wentworth Water & Wastewater Treatment P3, ON

ABANDONED

Abandoned:
maintenance problems, legal disputes, high costs, poor risk transfer.

The P3 deal was signed in 1994 under a 10 year, $187 million contract to Philip Utilities Management Corp. That company has since changed ownership four times, ultimately leaving Hamilton's water in the hands of American Water Services Canada Corp. In 2004, the contract came up. All of the private sector bids were higher than the cost of running the facilities in-house.

This P3 has been plagued by environmental disaster and malfunctioning equipment. In the mid-1990s, the P3 was the site of the largest ever sewage spill in Lake Ontario. The full cost of clean up fell to the City of Hamilton. The full cost of the cleanup and details of the City's attempt to hold the corporation responsible have been kept secret.

As of January 1, the P3 was abandoned and the water and wastewater systems were re-publicized.

Source

The Hamilton Spectator, Pg A1 "City eyes takeover of water, sewer operations" Tuesday, August 31, 2004.

19

Halifax School P3, NS

Flawed:
legal disputes, high costs, poor risk transfer.

After arsenic was found in the school water, the school board and the consortium were embroiled in legal wrangling for over a year to determine which would pay the costs of fixing the water system. Pupils and teachers were forced to drink bottled water paid for by the school board.

Source

Winnepeg Free Press, "Warning:the P3s are coming!" by Murray Dobbin, July 21, 2002.

20

Highway 407 P3, ON

Flawed:
high costs, legal disputes, loss of public control.

A 99 year lease, signed by the Ontario government in 1999 has been plagued with legal wrangling over toll hikes and control. The consortium and the current government are in a legal dispute over toll increases that the province is trying to control.

Tolls have increased by 350% since 1997 for off-peak car drivers and by about 50% for car drivers in peak hours.

Source

Canadian Press, "Company has right to boost highway tolls:ruling", Saturday July 10, 2004.

21

Long term care facilities, 13,000 private beds, ON

FLAWED

Flawed:
high, costs, public ownership lost.

In three rounds of bidding from 1998-2000, the Ontario government contracted with for-profit companies to build over 13,000 long term care beds as profit-seeking ventures. For the first time, taxpayers are paying for beds to be owned and operated by for-profit companies. In contracts that span 20 years, the province will pay $10.35 per bed per day for 20 years for the capital portion of the costs. At the end of the deal, Ontarians will have paid over $900 million for beds which the companies will own and can convert for their own uses. The end of the deals, at approximately 2020, coincides with the time period in which the biggest crest of baby boomers will reach age 80. Ontarians will then have to pay again for beds for which they have already paid, or build new ones.

Source

From Paul McKay series on long term care facility deals in Ontario, printed in the Ottawa Citizen.

22

Maple Ridge Downtown Redevelopment (leisure centre, youth & arts centre, library, parking garage, office tower and hotel) P3, BC

ABANDONED

Abandoned:
high costs, legal disputes.

The BC Supreme court ruled that the 50 year downtown redevelopment P3 deal signed by the District of Maple Ridge was illegal. A subsequent forensic audit found that the proposed deal was flawed and was deliberately designed to favour the P3 over traditional public procurement. Extra costs incurred by the P3 contract resulted in the District of Maple Ridge resuming control and ownership of the complex in 2004, after the community voted

in favour of dissolving the P3 contract. The move to public ownership has saved taxpayers between $9 and $11 million according to a forensic audit commissioned by the district council..

Source

The Province, "Ridge Deal Costly", Friday January 24, 2003, pg A3.

23

Nelson Recreation Complex P3, BC

ABANDONED

Abandoned:
high costs.

The city of Nelson decided against pursuing a $19 million P3 project after receiving proposals from 3 private sector operators. Instead, the city borrowed the money from the Municipal Finance Authority at lower costs than could be secured by any of the proposed P3 consortiums.

24 - 54

Nova Scotia Schools (30) P3

ABANDONED

Program cancelled:
high costs, insufficient risk transfer, poorly negotiated deal, public scandal.

In 1994 the Nova Scotia government committed itself to the most extensive experiment in P3 schools anywhere in Canada. The Nova Scotia auditor found that the P3 schools cost $32 million more than if they had been built publicly.

The audit found that the P3 consortia were not responsible for operating costs, capital improvements (including repairs) or technology upgrading. The contracts exempted the consortia from financial penalty for faulty construction. At the end of the deals, the public will have to pay again to buy back the schools after paying 20 - 35 year leases on them. Schools were re-located out of urban centres to maximize land development opportunities

for the consortia. The schools are plagued with scandal and problems. After 6 years, the Nova Scotia government cancelled the P3 program. However, 30 school deals lasting up to 35 years had been signed.

Source

N.S. Auditor's Report. Winnepeg Free Press, "Warning:the P3s are coming!" by Murray Dobbin, July 21, 2002. Heather -jane Robertson, "Why P3 schools are D4 schools or How public private partnerships lead to disillusionment, dirty dealings and debt", CCPA BC, May 29, 2002.

55

PEI Hospital P3

ABANDONED

Abandoned:
high costs.

The PEI government abandoned plans for a P3 hospital after public outcry and a report that the privatization would cost more than if the hospital was to be built publicly.

Source

Charlottetown Guardian, "Hospital project may be put to tender", Saturday, June 2, 2001, pg A1.

56

Port Alberni Civic Arena P3, BC

ABANDONED

Abandoned:
high costs.

The City rejected a proposed P3 deal after the realization that taxpayers would only achieve peripheral benefits from the contract, and opted for traditional financing/public procurement instead.

Source

Canadian Centre for Policy Alternatives, "Public Private Partnerships: the True Cost of P3s", 2003.

57

Royal Ottawa Hospital P3, ON

FLAWED

Flawed:
high costs, secrecy, bed cuts.

This P3 deal hands over the public lands surrounding the hospital to the private developers for 66 years. The deal covering the new hospital will last for 20 years. Over the negotiation of the lease agreement, costs for the hospital increased from $100 - $120 million. Despite the costs, the new hospital will have fewer beds than the hospital it replaces. There has been no public accounting for what services will replace those cut.

Source

ROH website and planning documents.

58

Swan Hills Waste Management Facility, Alta

ABANDONED

Abandoned:
high costs, contamination, poor risk transfer.

Bovar Inc., which ran the plant for more than a dozen years, returned it to the province in 2001 after taxpayers poured $440 million into the operation. It will cost taxpayers millions more to clean up the heavily contaminated site.

Source

Edmonton Journal, "P3s dicey for education, health sectors – think tank", pg A12, Sunday June 13, 2004.

59

St. Albert recreational facility P3, Alta

ABANDONED

Abandoned:
high costs.

City council abandoned a P3 recreation facility because, "We inherited a P3 scheme that we found was good for the developer but not for the city's pocketbook," according to Mayor Richard Plain.

Source

The Edmonton Journal, "Mayor accuses opponent of flip flop," Pg B4, Wednesday September 29, 2004.

60

Timmins and District Dialysis Centre P3, ON

FAILED

Failed:
no bidders interested.

Project abandoned, no bidders interested. It is speculated that the market that would provide additional revenue streams for the private sector is too small in this northern community to be attractive to the for-profit companies.

61

Vancouver Trade and Convention Centre P3, BC

FAILED

Failed:
inadequate risk transfer.

Plans for a P3 expansion to the Vancouver Trade and Convention Centre were cancelled after the provincial government was unable to secure adequate protection ('risk transfer') for its investment.

62

Victoria Arena & Entertainment Complex P3, BC

FLAWED

Flawed:
cost overruns, behind schedule.

The completion date was originally set for August 28, 2004, then rescheduled for November 15, 2004. Now the facility is supposed to be completed in early 2005. The net cost to the city for the six month delay is approximately $780,000.

Source

The Vancouver Province, "Capital city seen skating on thin ice in private-public arena deal", Editorial by Russ Francis. Monday 03 January 2005, pg A12.

63

Welland Community Centre P3, ON

FAILED

Failed:
project deemed "not viable in the P3 format", secrecy.

A site-selection committee was set up to review a P3 proposal for the community centre. Details of the project were secret, the committee was compelled to sign confidentiality agreements and to conduct negotiations entirely in private. After examining the P3 proposal, the committee recommended to city council that the P3 proposal be rejected. The council agreed, stating that "it was not a viable option in this format".

Source

Welland Tribune "No to private community centre", Wednesday 16, Feburary, 2005, pg 2. Interviews with committee/council members.

64

William Osler Health Centre P3, Brampton, ON

Flawed:
cost overruns, delays, secrecy.

FLAWED

Costs for the P3 hospital deal grew from $350 million to over $550 million during the lease negotiation. In this period, the size of the planned hospital was reduced and the new hospital is now to be opened in stages. The higher private borrowing rate and premium on equity mean that capital costs are $174 million more than they would be if the hospital was built publicly. All other financial information pertaining to the service privatization regime is considered a "commercial secret" shrouded from scrutiny by taxpayers, along with the Value for Money report and many other documents. Ultimately, the deal was over a year late.

Source

Schedule 8, Project Agreement, William Osler Health Centre and The Health Infrastructure Company of Canada.

International Evidence

65

Channel Tunnel Link, UK

FAILED

Failed:
cost overruns, eventual government bail out.

The link would have cost 1 billion pounds if it had been publicly procured. Instead, the private consortium was given 5.7 billion pounds worth of land and public money to cover its costs. Later, the government agreed to bail out the consortium by underwriting a 3.7 billion pound loan to the consortium as part of a 5.8 billion pound re-financing deal.

Source

George Monbiot, "Captive State".

66

Cumberland Infirmary P3 in Carlisle, UK

FLAWED

Flawed:
poor design, poor risk transfer, poorly negotiated deal, higher costs.

Design problems and shoddy construction have plagued the hospital as follows: two ceilings have collapsed because of cheap plastic joints in piping and other plumbing faults, one joint narrowly missed patients in the maternity unit; the sewage system could not cope with the number of users and flooded the operating theatre; clerical and laundry staff cannot work in their offices because they are too small; expensive bespoke trolleys had to be commissioned because those supplied don't fit between the beds; the transparent roof means that on sunny days the temperature reaches over 33C, the hospital has no air conditioning; and two windows have blown out of their frames, one showering a consultant and a nurse with glass.

One of the risks supposedly transferred to the P3 consortium was the risk that targets for clinical cost savings woud not be met, and the cost of this risk was estimated at 5 million pounds.

The consortium, however, faced no penalty if these savings were not made. Therefore 5 million pounds of value was spuriously attributed to the P3 scheme. The higher cost of private finance added an average of 39% to the total capital costs of the projects in North Durham, Carlisle and Worcester.

Source

The Observer, "Bed crisis - in August?" Sunday August 27, 2000. Gaffney et al. British Medical Association Journal. "PFI in the NHS - is there an economic case?" Vol. 319, 10 July 1999. Pollock et al. British Medical Association Journal. "Private finance and "value for money" in NHS hospitals:a policy in search of a rationale? Vol. 324. 18 May 2002.

Cumberland Infirmary P3 in Carlisle, UK continued

FLAWED

Flawed:
poor labour relations, poor management, design flaws.

An inspection report by the commission for health improvement (CHI) criticized the hospital severely for its poor labour relations, information technology and risk management. The report noted that there is insufficient space on cramped wards to walk three abreast, noting this is particularly important when caring for elderly patients. The lack of storage space means that shower rooms and patient areas have been converted into storage spaces. Lack of beds and frequent ward closures due to infections led to cancelled operations. Staff were stressed by unreasonable workloads.

Source

The Guardian "Inspectors slam PFI hospital in report" Thursday February 27, 2003.

67

Dartford and Gravesham (Darent Valley Hospital) P3 in Kent, UK

FLAWED

Flawed:
high costs, poor inspections, cuts to services.

Inisfree refinanced the hospital and made 33 million pounds in profit. One of the companies, Carillion (the same company that

has won the bid to privatize the Brampton, Ontario hospital P3) made 11 million pounds in profit. The hospital failed inspections for basic standards in hygiene, trolley waits, cancelled operations and breast cancer referrals. The CEO was fired. Community health spending has been reduced to fund the additional costs of the acute sector. Funding for the provision of services shifted to the community - mental health and learning difficulties, and community nursing - was withdrawn. In order to increase funding for the P3 by 2 million pounds per year, funding for a child resource centre, relocation physical disability services, and relocation mental health services were cut entirely. Community nursing and community hospital services were reduced.

Source

Guardian, January 8, 2004 Observer, Sunday, July 4, 2004 Ibid. British Medical Association Journal, Pollock et al. "Planning the "new" NHS:downsizing for the 21st century. Vol. 319, July 17, 1999. Public Money and Management. "Pump-Priming the PFI:Why are Privately Financed Hospital Schemes Being Subsidized?" Gaffney and Pollock. January-March 1999.

68

Edinburgh Royal Infirmary P3, Scotland, UK

Flawed:
design flaws, land deal scandal, poorly negotiated deal, high costs, poor value for money calculation, cuts to services.

The hospital was built without operating theatre lights. The hospital lands in town were sold off in a scandal-ridden land deal and the hospital was moved to a greenspace outside of town. The land is over an old mine and rats climb to the surface and infest the hospital when it rains. The high costs of the P3 have been born by reducing beds in a false estimation of faster patient "throughput".

Beds have been reduced by 24% across the health district and community services have also been cut. Further reductions in community care and beds may be necessary to meet the financial deficit, primarily due to the high costs of the P3s in the health district. The workforce plans for the new P3 show that the projected clinical staff budget was 17% less than in the former public hospital. The new P3 hospital was planned to have 18% less staff.

Capital costs as a proportion of total income rose from 7% to 14% under the P3. The head of the Accident and Emergency Department, Keith Little, resigned in 1999 on the grounds that the shortage of beds had made his job impossible. One of the ways that figures have been adjusted to indicate that the P3 provides greater value for money was the assumption that the building life would be 45 rather than the usual 60 years.

Source

British Medical Association Journal, Dunnigan, Matthew G and Allyson M Pollock. "Downsizing of acute inpatient beds associated with private finance initiative:Scotland's case study. Volume 326, 26 April 2003. British Medical Association Journal, Pollock et al. "Planning the "new" NHS: downsizing for the 21st century". Vol. 319, July 17, 1999. Ibid. Monbiot, George, "Captive State". Andy Wynne. Accounting and Business. "PFI and the public sector comparator:are comparisons really objective?" 01 Mar 2002.

69

East London and City Mental Health Trust P3, East London

FAILED

Failed:
long delays, serious design and construction problems, problems in relationship between public and private sector.

A leaked report from consultants Hornagold & Hills noted the following problems: the bidding and negotiating went on for 2 years beyond deadline, even after which the contract did not adequately specify the obligations of the private companies; the architects were not paid, did not inspect works or certify completion and there are no drawings of the final buildings; the orginal design provided no office space at all, a redesign to squeeze in offices is extremely poor; gender segregation in the wards is impossible due to design flaws; the water supply totally failed upon the building opening; a number of toilets were not connected to drains leading to "obvious problems"; floor coverings are defective; alarm and call systems unreliable; emergency systems non-functional; staff were ill-informed and alienated; and the contractor was deemed uncooperative and adversarial.

Source

London Health Emergency, press release based on leaked report from Hornagold & Hills. January 13, 2004.

70

Fife Council Schools P3, Scotland, UK

FAILED

Failed:
company went bankrupt.

After delay and uncertainty due to a collapse of P3 corporation Jarvis' finances and shares, the Fife council cancelled the 176 million pound P3 schools deal and had to begin to renegotiate the deal with other bidders.

Source

The Guardian, "Council calls off school deal with Jarvis" Friday August 20, 2004.

71

Glasgow Schools P3, Scotland, UK

FLAWED

Flawed:
high costs, design flaws.

29 schools involved in the country's biggest education P3 contract with Amey and Mitel is worth 160 million pounds. The deal has resulted in the loss of six swimming pools, smaller and fewer classrooms, science laboratory benches facing walls instead of teachers and fewer game halls.

Source

The Observer "Britain on the road to a very private revolution" Sunday May 27, 2001.

72

Hereford Hospital P3, UK

FLAWED

Flawed:
high costs, cuts to services.

The P3 business case planned a reduction of 50% in acute beds and required increased funding and accommodation of 14,000 bed days in community settings. However, the extra non-acute resources were not identified in the business case.

Source

British Medical Association Journal, Pollock et al. "Planning the "new" NHS:downsizing for the 21st century". Vol. 319, July 17, 1999.

73

La Trobe Hospital P3 in Victoria, Australia

FAILED

Failed:
company sued government for inadequate profits, government bought back the hospital.

The Victoria government contracted with consortia to develop three major P3 hospitals in the mid-90s. Under the terms of the contract, the consortia had to accept public medicare patients without extra-billing. The consortia agreed to provide services at 96% of the cost for public hospitals. The government had to buy back the hospital from Australian Hospital Care in October 2000 after the consortium lost $10 million on the La Trobe Hospital and announced it was suing the government.

Source

Canadian Centre for Policy Alternatives - Manitoba office "Health Care Privatization Down Under", March 30, 2000.

74

Lister Hospital in Stevenage, UK

FLAWED

Flawed:
legal disputes.

"Patients are facing potentially dangerous delays in receiving test results following the end of a P3 in pathology, according to the British Medical Association. The problems follow the end of a private sector contract and return of pathology services at the Lister Hospital in Stevenage to the public sector. The trust and private provider OmniLabs could not agree on a formula which would have allowed the hospital to continue to use OmniLabs computers for a changeover period. There have been delays while data is transferred from one computer system to another, and problems tracking specimens. It is said that neither side would enter such a similar contract again."

Source

Publicnet - www.publicnet.co.uk Friday, 14 December 2001.

75

London Underground P3, UK

FLAWED

Flawed:
high costs, delays.

The cost of private finance has added 455 million pounds to the cost of the project, to be financed by ratepayers and London taxpayers. A report by the National Audit Office found that the sell-off provided private engineering companies with profits of 18-20%, a third higher than the norm. The NAO found that the costs for the contracts rose by 590 million pounds through the negotiation period. The project was more than two years behind schedule. The government agreed to cover bidders' costs amounting to 250 million pounds. The costs for the public side's consultant fees were 109 million pounds.

Source

The Guardian. "Auditors say tube sale was bad deal" Thursday June 17, 2004. also see The Observer "Britain on the road to a very private revolution" Sunday May 27, 2001.

76

Modbury Hospital P3 in South Australia

FLAWED

Flawed:
legal disputes.

The South Australian government had to increase its payments above the contracted amount under threat of default by the consortium.

77

Network Rail P3, UK

FAILED

Failed:
fatal train crash, quality problems, high costs, service re-publicized.

17.6 million pounds was paid to Carillion, when railway maintenance was re-publicized following a spate of quality problems and high costs. It was expected that Balrour Beatty, Amey, Amec and First Engineering would also be paid out to terminate the contracts. The re-publicization of rail maintenance is estimated to save 100 million pounds per year. In Thames Valley, the first major area to be taken in-house, delays caused by infrastructure faults have fallen in the region by 32% over six months. Potters Bar rail crash in 2002 killed seven people and injured 76. A train derailed at 100 mph. The cause was a maintenance failure on the track for which P3 company Jarvis was responsible. Jarvis and Network Rail were in a series of disputes over rail maintenance work for six years.

Source

The Guardian. "Carillion receives 17 million pound rail payoff" Wednesday June 2, 2004. The Guardian "Debt rise pushes Jarvis into banking breach" Saturday July 3, 2004.

78-83

Norfolk Schools P3, UK

FAILED

Failed:
deal cancelled, delays, risk.

P3 contract for 6 schools in Norfolk collapsed as P3 company Jarvis, facing financial difficulties, was 26 months behind schedule and was unable to find a local subcontractor.

Source

UNISON, press release, November 10, 2004.

84

Norwich and Norfolk University Hospital P3, UK

FLAWED

Flawed:
legal disputes, high costs.

Two "containment rooms" that should use a system of negative pressure to seal in lethal viruses were found to be defective.

A nurse lifted the ceiling tiles in the hallway and found that the ducting had never been connected. Thirteen patients had been treated in this ward for tuberculosis. The hospital trust launched an inquiry and the National Audit Office investigated.

It emerged that the management had known about the problem for more than two years. The director of public health complained to Octagon Healthcare, the consortium that built and runs the hospital. The consortium admitted they knew the rooms were not working and that staff were told to use "tried and true" methods to prevent contamination.

The hospital trust has spent 80,000 pounds to ensure that the rooms now work. They are in a dispute with the consortium over who is responsible to pay the bill.

In December 2003, Octagon (made up of Innisfree, Laing and Serco) refinanced the project and received a 100 million pound

windfall. It was intended that the hospital would receive at least 30% of "refinancing" payouts but the companies demanded their profits in a lump sum, while the hospital trust was awarded a reduction in rental costs of 1 million pounds per year for the next thirty years (this falls short of the 30%).

The hospital is in serious financial deficit and the CEO resigned in May 2004.

Source

The Observer, Saturday June 20, 2004 Antony Barnett, public affairs editor. Also see Health Services Journal, "Probe request into PFI ventilation system", May 20, 2004. Also see www.publictechnology.net, evening news, May 1, 2004. The Observer, Sunday, July 4, 2004 Ibid.

Norwich and Norfolk University Hospital P3, UK continued

FLAWED

Flawed:
high costs, service cuts, poor value for money estimation.

The business case for the P3 assumed a decrease in inpatient caseloads and a diversion of 8% of the caseload into the community. This did not occur. To meet financial constraints, five community hospitals across the health district and 1/3 of the hospital beds were closed. The economic case for the P3 was made on an exaggerated estimation of inefficiency in public sector procurement. The public sector comparator, used to make the P3 case make financial sense, used an assumption of 34% cost overruns in the equivalent public sector case. In fact, the National Audit Office reported that cost overruns in the public sector averaged between 6.3 and 8.4%.

Source

British Medical Association Journal, Pollock et al. "Planning the 'new' NHS:downsizing for the 21st century". Vol. 319, July 17, 1999. Gaffney et al. British Medical Association Journal. "PFI in the NHS - is there an economic case?" Vol. 319, 10 July 1999.

85

Paddington Health Campus P3, London, UK

FLAWED

Flawed:
cost overruns from 360 million to 800 million pounds, delays.

Initial estimates by the Department of Health costed the P3 development and relocation of three London hospitals onto one site at 360 million pounds when it was approved. Redesign was forced on the consortium because the wards were too small. Costs escalated to 800 million pounds and were expected to increase by another 200 million. Critics note that the hospital costs four times that of Portsmouth hospital redevelopment which has 100 more beds.

Source

Sunday Times of London, "Series of blunders lead to billion-pound hospital", August 3, 2003.

86

Parc Prison P3, Wales, UK

FLAWED

Flawed:
riots, poor management, poor design, labour relations problems.

Even before the prison was officially opened, it suffered eight major riots and two suicides. The Prisons Minister, Joyce Quinn, admitted that it lacked adequate work and training, drugs testing and visitor facilities. According to the Prison Reform Trust, by five months after the prison had been opened, it had thirty fewer guards than it needed due to "an unexpectedly high turnover of staff". Prisoners had to be transferred to a publicly-run prison. Within a year of opening, the consortium Securicor was fined 105 thousand pounds for a series of offenses.

Source

George Monbiot "Captive State".

87

Port Macquarie Base P3 Hospital in New South Wales, Australia

FLAWED

Flawed:
high costs.

The State Auditor found that the new hospital would cost $143 million for capital alone- almost three times what it would have cost to procure in the public sector. After 20 years, the government would have paid for the hospital more than twice over - yet it wouldn't own it.

Source

Canadian Centre for Policy Alternatives - Mantitoba office "Health Care Privatization Down Under" March 31, 2000.

88

Princess Royal University Hospital P3 in Bromley, South London, UK

FLAWED

Flawed:
design/construction problems, costs.

Innisfree Group refinanced the hospital less than 12 months after it opened. Innisfree and building group Taylor Woodrow, pocketed 43 million in profits from the deal. The hospital has suffered several power blackouts and has problems with its telephone systems.

Source

Observer, Sunday, July 4, 2004

89

Princess Margaret Hospital P3 in Swindon, UK

FLAWED

Flawed:
design problems, unnecessarily large deal to attract bidders, high costs, poor land deal.

Poor design means that the recovery room is located 80 metres from the operating theatre.

The original hospital redevelopment plan included a refurbishment of existing facilities and a partial new build. In order to make the scheme more attractive for P3 bidders, the plan was transformed into an entirely new build on a greenfield site out of town, releasing the city centre site for development by the P3 consortium.

Source

Pollock et al. British Medical Association Journal. "Private finance and "value for money" in NHS hospitals:a policy in search of a rationale? Vol. 324. 18 May 2002. Public Money and Management. "Pump-Priming the PFI:Why are Privately Financed Hospital Schemes Being Subsidized?" Gaffney and Pollock. January-March 1999.

90

Royal Calderdale Hospital P3 in Halifax, West Yorkshire, UK

FLAWED

Flawed:
financial problems, design/construction problems.

Bovis and Lendlease were the developers behind the P3. While the hospital is facing financial problems, the firms made a 12 million pound profit from a refinancing deal. The hospital has been beset with problems including power cuts, exploding glass awnings and rodent infestations.

Source

Observer, Sunday July 4, 2004 Ibid.

91

Skye Bridge P3, Scotland, UK

FAILED

Failed:
government bought back the bridge, cost overruns, scandal.

The toll bridge is a P3 project linking the Isle of Skye and features the highest tolls in the UK.

After 9 of the 33 year contract, the private consortium had made a profit of 33 million pounds.

In addition, before the bridge was built, the government paid 6 million to build approach roads, 3 million on consultants and land, 4 million as "compensation" for construction delays (risk supposed to be taken on by the private sector). The government paid a further 7.6 million pounds to subsidize high tolls for island residents.

Ultimately the contract was cancelled and the government paid 27 million pounds to buy back the bridge from the consortium.

All told, the scheme cost the public 93.6 million pounds, for a bridge that cost the consortium 25 million pounds to build. Details of the contract remained shielded from public scrutiny by "commercial confidentiality".

Source

ACCA, Private Eye. "Modifying PFI in Scotland" by David Scott. www.accaglobal.com The Guardian "A scandal of secrecy and profligacy:the Skye bridge contract allowed private firms to fleece the taxpayer" by George Monbiot, Tuesday December 28, 2004.

92

Tower Hamlet's schools P3 project, UK

FAILED

Failed:
company went bankrupt.

Financiers Abbey National pulled out of the deal in June 2004 following the failure of the building company Ballast plc. Half-

finished schools are now the public's problem as parents scrambled to move their children to other school rolls.

Source

The Guardian Allyson Pollock and David Price, "We are left footing the bill: the public pays the price when contractors pull out of projects", Tuesday July 27, 2004.

93

Queen Elizabeth Hospital P3 in Greenwich, South London, UK

FLAWED

Flawed:
high costs, financial problems.

Four years after the 93 million pound hospital was built, it had to close a ward to save money towards its 6 million pound deficit, adding 600 more patients to waiting lists.

Source

British Medical Association Journal, Pollock et al. "Planning the 'new' NHS: downsizing for the 21st century". Vol. 319, July 17, 1999.

94

University Hospital P3 in North Durham, UK

FLAWED

Flawed:
high costs, design flaws, financial problems.

A contract disagreement between the public hospital and the private consortium featured the consortium claiming that its contractual responsibilities did not include portering. An ambulance had to be called to move a patient 400 yards to a ward. The hospital was built on a business case that was geared to making the P3 affordable and cut beds. The new hospital faced a serious bed shortage within the first few weeks of opening - in the middle of summer.

The hospital has been plagued with serious design flaws, shoddy construction disasters and equipment failures including: the respiratory ward is extremely hot; the generator failed plunging

operating theatres, intensive care and casualty into darkness; a flood of sewage broke through the ceiling flooding the pathology department; the sluice area design means that staff have to cart foul linen and waste through ward areas that are meant to be clean; the pharmacy has been squeezed in next to the mortuary without a waiting area so those queuing have to contemplate the bodies going by; the kitchen areas are unbearably hot; the ambulance bay is too small and gets blocked if four ambulances arrive at one time; large parts of the hospital have no drinking water as the cold water taps run hot.

The projected workforce clinical budget under the P3 was 22% less than in the former public hospital. The new P3 hospital was planned to have 14% fewer RNs. Cost of capital as a proportion of total hospital income rose, under the P3 plan from 8% to 18%.

Source

Guardian Unlimited, "Crisis-hit hospital finds that private finance for NHS comes at a price". Monday, July 23, 2001. Ibid. British Medical Association Journal, Pollock et al. "Planning the "new" NHS:downsizing for the 21st century. Vol. 319, July 17, 1999. Ibid.

University Hospital P3 in North Durham, UK, continued

Flawed:
high costs, design flaws, financial problems.

The higher cost of private finance added an average of 39% to the total capital costs of the projects in North Durham, Carlisle and Worcester.

Distressed about the bed shortages, Ian Hawthorn, lead surgeon wrote to the CEO, "The bed model dreamed up to fit into the PFI budget was based on [a] model which as we know has proved unsound...In essence the bed model is based entirely on numbers dreamed up to fit a budget...This is as serious a situation as this trust has had to face. We are trapped in a PFI web, the problem is a country-wide one and secrecy has no place at this stage...The PFI project as its stands fails the people of North Durham for the forseeable future."

The P3 architects pushed the hospital into a corner of the site to maximize land development opportunity for the consortium.

Source

Pollock et al. British Medical Association Journal. "Private finance and 'value for money' in NHS hospitals: a policy in search of a rationale?" Vol. 324. 18 May 2002. Guardian Unlimited, "Crisis-hit hospital finds that private finance for NHS comes at a price". Monday, July 23, 2001. Ibid.

95

University College London Hospitals P3, Central London, UK

FLAWED

Flawed/failed:
high costs, poor design, project may be cancelled.

The higher cost of private finance added an average of 39% to the total capital costs of the projects in North Durham, Carlisle and Worcester.

Jon Rouse, chief executive of the Commission for Architecture and the Built Environment described the plans as "cramped and overdeveloped. What concerns us is the functionality of the building in delivering the best possible medical services and patient environment."

CABE's report said the design "recreates mistakes made in the 1960s....If it were put forward as an office project, it is extremely difficult to imagine it being given planning permission....We have little sense that the project proposes more than compliance with the building regulations in terms of energy useage."

The consortium had failed to act on the government's planning advice. The design was criticized for having too many rooms with no windows, the blocks appeared jumbled and ad hoc and patients would be confused by the complex layout. It concluded, "The standard of the design, in our view, falls a long way short of what ought to be expected of one of the largest public sector building projects in the country."

As of August 2004, London mayor Ken Livingstone is set to veto the P3 megahospital.

Source

The Economist. "PFInancing new hospitals:Health service. January 10, 2004. The Guardian. "New Royal London hospital design 'a failure'". Tuesday August 3, 2004.

96

Walsgrave Hospital P3 in Coventry, UK

FLAWED

Flawed:
high costs, poor land deal, service cuts.

The town, built on a ring road with the public transit system designed accordingly, faced a P3 plan that would see the city centre hospital property sold and the new hospital constructed on a site just outside the town's ring road. The town council opposed the plan which endangered plans to regenerate the city centre. It offered 20 million and nine acres of property to the hospital trust to change its mind. The offer was refused. A confidential report by economists and public health experts found that the affordability of the P3 project was based on a bed cut of 25% and a staff cut of 20%. No analysis had been done of the potential for redevelopment as opposed to a new build. The scheme, concluded the authors, was designed to meet the needs of the private investors rather than the residents of Coventry. Costs for the hospital increased from 174 million pounds to 311 million over the negotiation of the deal.

Source

Monbiot, George, "Captive State". Ibid.

97

West Midland Hospital P3

FLAWED

Flawed:
high costs.

Under the new accounting rules that, in response to a spate of P3 problems, reduce the amount of risk allowed to be reported as transferred to the private consortiums, the hospital P3 is 22 million pounds more expensive than its public sector alternative.

Source

British Medical Association Journal. Letters to the Editor.

98

West Middlesex Hospital P3 in Isleworth, West London, UK

Flawed:
financial problems, service cuts.

According to the BMJ, the project was calculated using a discount rate of 6%, but according to the revised treasury guidelines of Sept 2003, 3½ % was the correct rate to use. As in other P3s, the financial model used, overstated the risk transfer to the private sector. Using the corrected rate, the P3 was 22 million pounds more expensive than its public sector comparator. The hospital is closing a ward to save 2.5 million towards its deficit.

Source

British Medical Association Journal, Pollock et al. "Planning the 'new' NHS:downsizing for the 21st century". Vol. 319, July 17, 1999. See also letter to BMJ from Martin Blaiklock, BMJ 2003;327:395 (16 August) ,doi:10.1136/bmj.327.7411.395-a

99

Whittington Hospital P3, UK

Flawed:
company in financial difficulties, delays,
company paid no compensation.

The hospital redevelopment was left half built when Jarvis ran into financial trouble. The company abandoned the project and will not pay any compensation for leaving the project incomplete. The redevelopment will be a year late. A new deal has been negotiated with a new company.

Source

Hornsey and Crouch End Journal, "Jarvis won't pay for hospital building failure", February 23, 2005.

100

Worcestershire Infirmary P3, Worcestershire, UK

Flawed:
high costs, service cuts, poor risk transfer.

The higher cost of private finance added an average of 39% to the total capital costs of the projects in North Durham, Carlisle and Worcestershire. The cost of the Worcestershire P3 increased by 118% over the negotiations for the deal, leading to the closure of neighbouring Kidderminster Hospital's intensive therapy and maternity wards and laminar-flow theatre which had been opened just three years prior. The hospital trust was forced to pay a penalty clause of 200,000 pounds per year to the consortium Catalyst due to bed occupancy over 90%.

Source

Pollock et al. British Medical Association Journal. "Private finance and 'value for money' in NHS hospitals:a policy in search of a rationale?" Vol. 324. 18 May 2002. The Observer "Trampled Underfoot:The Government's passion for PFI is basically a tax that is set to bankrupt future generations" Sunday March 28, 2004.