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Portage la Prairie P3 Decision Fails Public Interest Test

Pursuant to new provincial and federal effluent guidelines, the City of Portage la Prairie is required to upgrade its wastewater facilities, known as the Water Pollution Control Facility (WPCF). The new Public-Private Partnership (P3) project has not undergone public scrutiny. Past examples point to P3s being more expensive than public management of these project.

The treatment facility provides preliminary and secondary treatment of municipal wastewater for the City, some residential and commercial areas located in the RM of Portage la Prairie, and industrial wastewater from three major local area industries. The total upgrades are costed at just over \$100 million. In June 2014 the City submitted federal funding applications to both the Building Canada Fund and Public-Private-Partnerships Canada (PPP Canada).

PPP Canada, a federal crown corporation, was a creation of the former Federal government. It is currently a \$1.25 billion fund which requires projects to be built and operated as so-called public-private-partnerships, commonly known as P3s. These initiatives are yet another form of privatization of public services.

Canada is the only G-7 country with an internal structure with such a pro-privatization mandate. There is widespread speculation that the new Federal government will fold PPP Canada into its proposed Infrastructure Bank.

In 2015 Portage la Prairie funded the engagement of a private firm, Ernst and Young, to conduct a detailed value for money (VFM) assessment of the different types of funding models to complete the required wastewater capital upgrades.

Ernst and Young (and other large accounting firms) is a sponsor of the Canadian Council for Public-Private-Partnerships, an industry-led pro-P3 body. However, the extent to which large accounting firms can give an impartial take on P3 has come into question. Stuart Murray captured the biased nature of relationships in the world of P3 proponents when he said, "The major accounting firms now made so much money on P3 projects, it seems unlikely they would ever speak against them."

By September 2016 the City was ready to make a decision and City Council unanimously voted to pursue a P3 through a Design-Build-Finance-Operate-Maintain (DBFOM) form of P3, spread over a 30-year term. The private entity would take over all facilities including staff, would become employees of the new entity, and the private sector operator would receive lease payments from the City and the plant for the next 30 years.

Portage la Prairie chose not to involve its own wastewater staff or their union (CUPE) in its internal assessment processes. Nor did the City follow the public consultation processes it has used for other large scale projects such as its Accessibility Plan or the proposed new Causeway to Island Park.

The City has been criticized for how it has proceeded with this file.

Mickey Dumont wrote in the Herald Leader: "If the City had followed its own map, gave taxpayers the chance to question, give input and generally dissect and digest the upside and downside to 3P funding, then John Q. Public today

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wouldn't be thinking the City has sold the utility."

The City's decision to proceed with the P3 model rested with a suggested 10 per cent to 20 per cent savings by going the P3 route. This rested on savings derived from alleged risk transfers for which there is no justification provided.

While construction costs for the project are \$106 million, the 30-year term would see nominal payments (expressed in net present value over 30 years) of just over \$400 million. The City has argued that \$124 million worth of risk is transferred to the private entity, and in the next breath they make the incredible statement that: "the values assigned to each (risk) are subjective and difficult to evaluate."

The Canadian Union of Public Employees (CUPE) filed a Freedom of Information (FOI) request. They received over 1,500 pages, but in all of the numbers associated with risk transference, the discount rate and VFM are redacted.

In a classic case of "heads I win, tails you lose", the Portage la Prairie P3 is justified by risk transference in a VFM evaluation that the public is not allowed to see. No one can tell you whether the risk assessment was fair, no one can challenge their assumptions, because the City has determined that commercial privacy trumps public interest. Yet the public is not allowed to see any numbers that form the basis for this conclusion.

The Canadian P3 landscape is lit-

tered with examples of similarly secretive accounting assumptions that are never made public. Where details have been released, the numbers often do not withstand scrutiny. In perhaps the highest profile case, the Ontario Auditor-General in a December 2014 report found that 74 separate P3s had cost taxpayers \$8 billion more than if they had been publically financed using government borrowing rates. The report found: "In our discussions with the external advisors, they confirmed that the probabilities and cost impacts are not based on any empirical data that supports the valuation of the risks, but rather on their professional judgement and experience." To be clear, the issue is not who constructs needed public sector infrastructure. Building infrastructure projects such as wastewater plants has traditionally been private sector work and will properly remain so. The controversy erupts when it comes to operation, ownership, financing and ongoing maintenance through lease-back arrangements which introduce the profit motive into the public realm. The private sector profits much more extensively off P3 arrangements than they do traditional public procurement, introducing serious motivating for private sector actors to promote P3s over traditional procurement. There are countless examples of bad deals such as Ontario's Highway 407, the private toll road around Greater Toronto. It was paid for with public funds and yields hundreds of millions of dollars in profits to the private consortium that owns it.

The private sector reaps profits for 99 years, and then will turn it back over to the province right at the end of its lifecycle.

Perhaps the most treacherous aspect of the whole P3 industry is the extent to which the VFM calculations can be shaped to justify a P3 for virtually any project. This has even been acknowledged by P3 advocates, such as former President and CEO of Partnerships British Columbia, Larry Blaine, was quoted from a 2007 speech saying: "Public Sector comparators won't do you much good anyways, because I can make the public sector as bad as we want to, in order to make the private sector look good".

Unfortunately, with the federal Liberal government announcing plans to sell Canadian airports and to open the Infrastructure Bank, we can expect more P3 debates.

Public interest issues including financing, public control and transparency all point to serious public policy questions.

About 98 percent of Canada's infrastructure assets are currently owned by provincial and municipal governments. Portage la Prairie is swimming against the current with this latest decision, one which demands much more public debate than has occurred to date.

Canada's municipal infrastructure deficit is huge and requires all levels of government to share in the responsibility to fund this needed investment in communities and in our future. Such investment should serve public, not private interests.

Paul Moist is the former President of CUPE and a CCPA Manitoba Research Associate.

References available upon request.

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