



Canadian Centre for
Policy Alternatives
Manitoba Office

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P3's must give 'value for money'

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On May 2, 2017 the Province's news release announced it would be putting out a request for proposals (RFP) for Public Private Partnerships (P3s) to build four new schools in Manitoba. The Premier claims that the P3 model has worked out well across Canada.

Given the preponderance of information about P3s gone wrong, we are perplexed by the Premier's claim. In 2014 Alberta changed its mind about using P3s to build 19 schools, claiming it would save \$14M if it used traditional financing models. We also know how a similar strategy worked in Nova Scotia. Our office there did a study on the 39 schools that were built and managed under a P3 contract. According to the report: "Since the earliest days of the program in the 1990s, the P3s schools have been controversial. Cost overruns, massive private profits, mismanagement, and problems with the construction and management of the schools have all been reported".

Those of us who, over and over again, present empirical evidence that P3s are more likely to cost the public more and deliver poorer service are distressed at the way P3s remain unaffected by the reams of research and expert opinion showing how badly they tend to perform. Our colleagues in Saskatchewan and Nova Scotia make the same observation:

The Canadian Centre for Policy Alternatives has published numerous publications on the question of P3s because they have been so pervasive and so riddled with problems. There have been books written. Our organi-

zation has even published helpful guidelines outlining the 10 questions that should be asked AND fully answered before entering into these partnerships. Never are all of these questions asked and rarely are they fully answered.

In November of last year, one such report, Privatization Nation, chronicled some of the most egregious failures of privatization in Canada in recent years. We thought this to be conclusive evidence that despite 30 years of experience governments rarely seem to get privatization right, and more often get it wrong with astonishing regularity.

Why does such a bad idea keep haunting us? The "10 questions" piece sheds some light on the mystery:

Part of the reason that P3s have become so prevalent is because of the efforts of a strong P3 lobby group made up of such entities as the Canadian Council for Public Private Partnerships (CCPPP). Membership on this council includes construction companies, and consulting companies such as Deloitte and Touche (which was hired by the City of Winnipeg to opine on its plans to P3 its waste-water treatment plant and water service). This lobby group publishes reports that depict P3s in glowing terms and consultants such as Deloitte and Touche do not, to our knowledge, ever find a P3 proposal wanting.

P3s remain immune to evidence, reason and logic because a very pow-

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erful corporate Canada is spinning them hard. And why wouldn't they? They stand to profit handsomely from these deals, but it is this very profit motive that sets the stage for poorer service and/or higher prices, especially because corporations must pay more than governments to borrow money.

Unfortunately the complex nature of P3s makes them difficult to argue against. A common counter-argument is that when P3s fail, it's due to poor contract design. But governments often do not have the necessary expertise to negotiate these complex, decade-long contracts with powerful multi-national corporations that have considerable legal, technical and financial resources.

The previous Manitoba government understood that governments were at a disadvantage when it came to P3s so it brought in legislation to level the playing field. *The Public-Private Partnerships Transparency and Accountability Act* was passed in 2013. The only legislation of its kind in Canada, it forced transparency and accountability on government and private companies when a P3 was being considered

With the passing of the bill, Manitoba effectively got a kind of 'value for money' process for evaluating P3s. This is exactly the sort of change any government should be in favour of, as its purpose is to protect tax payers. So it is very disappointing that the Conservatives

introduced new legislation that would remove this protection and once again expose Manitobans to the machinations of the P3 lobby groups.

If the premier is really committed to transparency and good governance, he must allow for an independent, arms-length evaluation of any P3 contract the government enters into. Will the government answer fundamental questions about full lifetime costs of delivering the project through a P3 compared to public alternatives delivering the same level and quality of service? Will the detailed information and calculations be made public? Will the province be responsible for guaranteeing the private sector's revenues and who will be liable for cost overruns or project deficiencies?

The premier claims the request for proposals will be fully transparent, and will include a business case and value-for-money analysis. But once contracts are awarded, proprietary interests will prevent the public from knowing their terms, making it impossible to evaluate if it did indeed receive value for money.

Hopefully, Manitoba won't be the next province to find out answers the hard way.

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