



Public education builds strong communities

Partnerships for Schools: A Discredited Model for Privatization

What did Larry Blain (CEO of Partnerships BC) say at a recent conference sponsored by the Canadian Council for Public Private Partnerships?

I think in the area of schools, long term care facilities, residential care facilities and primary access centres in the health care side, British Columbia has a huge requirement over the next 10 to 15 years for a lot of smaller projects. And we very much are interested in the PUK (Partnerships United Kingdom) Partners For Schools model...Instead of...the RFP type of model, we would implement more of a strategic partnering type of model where, you know, you would maybe compete a certain geographic area and the assets within it for an estate of assets and then on an ongoing basis work with that partner to do P3s. And I think that we're very interested in that and I think that we've got the requirement for it and we're just trying to get our heads above water on the other things we're working on in order to turn to that (emphasis added).¹

Partnerships BC was formed by the B.C. Liberal government to encourage public-private partnerships, or P3s. That's not the revelation here. What is surprising is that the government continues to downplay its intentions regarding the privatization of schools and key school board functions—as if advocates for public education in B.C. would have no way of learning about Blain's speech at a P3 conference in Ontario last week.

What is Partnership for Schools?

Partnerships for Schools (PfS), a privatization scheme recently endorsed by the chief executive of Partnerships BC, is the delivery arm for public-private partnerships in the British school system. The adoption of such a program in B.C. is cause for serious concern, as the U.K.'s Audit Commission has discredited the experiment on several grounds. P3 schools have been cited for, among other things, inferior design and delayed construction, higher costs for cleaning and maintenance, loss of local control, disruption of teaching and even reduced student achievement.

Under the British model that Partnerships BC CEO Larry Blain and the BC Liberal government want to adopt, new organizations called “local education partnerships” (LEPs) are formed. These LEPs are 80-per-cent owned by private companies that have won long-term contracts to build, operate, maintain and manage new or refurbished schools in one or more districts. They also supply information technology and even a wide range of educational services. Under this plan, the local education authority has only a 10-per-cent holding in the LEP.

Audit Commission finds quality of PFI schools “significantly worse”

In 2003 the UK’s public-spending watchdog, the Audit Commission, compared the quality, cost and delivery times of a sample of early schools built under the controversial Private Finance Initiative (PFI) with traditionally (publicly) funded schools built around the same time. The Audit Commission found that the quality of PFI schools was “*significantly worse* than that of the traditionally funded (schools).”² The report also concluded that:

- The best examples of innovation came from publicly funded schools
- The costs of cleaning and maintenance appeared to be higher in PFI schools
- Newly-built PFI schools took longer to complete³

“Partnership for Schools” is just more P3 public relations spin

The Building Schools for the Future (BSF) program was launched earlier this year by England’s Department for Education and Skills (DfES)⁴, ostensibly so that students in England will “be educated in a 21st Century environment within 15 years.”⁵ Accordingly, BSF will involve a multi-billion dollar capital investment over the next 15 years. In 2005-06 alone, BSF will devote £2.2 billion to capital investment in schools, using both conventional and Public Finance Initiative funding. In the first year, 55.5 per cent of the funding will be covered by PFI credits.⁶

BfS is perceived as a measure to counteract widespread criticism of the PFI schools for their lack of local control. However, the Blair government appears to have learned very little from the many setbacks involving PFI schools.

Partnership for Schools (PfS) – the program Larry Blain alluded to in his speech last week – is an integral part of the BSF program. PfS says it “will help build strong Public Private Partnerships, enabling the public sector to benefit from the best skills and expertise available in the private sector and reaping greater efficiencies and economies of scale.”⁷

However, neither greater efficiencies nor economies of scale have resulted from P3s, according to the independent Audit Commission. Nevertheless, the Blair government—like the Gordon Campbell government—appears single-minded in its quest to privatize, regardless of the costs to taxpayers or the consequences for students.

Local Education Partnerships: Variation on an old P3 theme

Trustees and parents should be very concerned about the future of education in this province and who will control school decisions if this system, or any variation of it, is adopted in B.C.

In England, the Local Education Partnership (LEP) model forms an integral part of the Building Schools for the Future initiative. The government “anticipates that each (Local Education Authority, or LEA) will set up a Local Education Partnership (LEP) between the LEA, Partnerships for Schools and a *suitable private sector partner*.”⁸

At first glance, it appeared as though the LEAs would have more control over school building projects than under the Private Finance Initiative (PFI) system, but there clearly was another agenda afoot.

PfS is part of the United Kingdom’s second wave of government-driven privatization initiatives, which includes building schools. The first wave, under the PFI, was widely criticized for its inferior design and quality of public facilities as well as higher costs. Under the PFI model, the private sector provider (usually a consortium of private companies) took responsibility not only for building facilities or refurbishing schools, but also for maintaining the buildings and, in many cases, facilities management (FM) services such as maintenance and cleaning, and the provision of IT and furniture and equipment.⁹ These are very extensive and long-term contracts, lasting between 25 and 30 years.

PfS is an investor in virtually every Local Education Partnership (LEP) and plays a key role in the delivery of the BSF program. The UK Minister of State for School Standards, David Miliband, says PfS — a non-departmental public body — “will only act in the interests of the public sector.”¹⁰ But that’s unlikely, given PfS’s primary mandate to promote public private partnerships.

More public capital investment in schools is welcome in the UK. However, the LEP model has raised concerns among education stakeholders and analysts in Britain. Troubling elements of the LEP model include:

- **The model allows for only a 10-per-cent ownership stake to the Local Education Authority while the private partner has an 80-per-cent share.** According to the Association for Public Service Excellence, “[10 per cent] is a much lower percentage than in other similar Joint Venture Companies (JVC) and is more restrictive than the current rules governing local authority interests in companies.”¹¹
- **Public private partnerships form the basis of LEPs.** The model assumes that the private sector can produce cost benefits and efficiencies, which has not been proven under the PFI initiative. If anything, the opposite has been true.
- **The LEP model promotes the privatization of a whole range of key educational support services under the BSF program.** This also includes a

much larger role of Partnership for Schools – the government’s P3 promoter – in “developing and refining a long-term vision of education.”¹² The National Union of Teachers in Britain found “it difficult to understand how such bodies, given their membership, will have any experience or expertise which qualifies for such an (educational advisory) role.”¹³

- **LEPs ignore the true aims of capital investment in education – to improve educational standards and student achievement.** If that were the true motivation, then P3s would not be forced on Local Education Authorities.¹⁴
- **Private sector involvement leads to less public disclosure and accountability.** The Institute for Public Policy Research (IPPR) in Britain found that it “is still common practice ... to withhold an unacceptable amount of information about private finance initiative (PFI) projects, compromising their accountability.” This includes vital information about “how value for money is secured in PFI contracts.”¹⁵ This missing information is especially important, given that governments favouring privatization tend to boast about “value for money” in P3s.
- **Profits before provision of quality education services is the rule.** Flying in the face of the Audit Commission’s report on PFI schools, the Blair government says, “(b)ased on the existing evidence on value for money achieved through PFI schemes, it is likely that most large new build schemes will continue to be undertaken through PFI” and that “arrangements for PFI will remain unchanged.”¹⁶ Most critics found it difficult to reconcile the Audit Commission’s report and the Blair government’s assumptions. One wonders if the Prime Minister’s “drive to privatize” is much stronger than his commitment to quality educational services. CUPE BC has similar concerns about Premier Gordon Campbell.

The United Kingdom’s tarnished record on P3’s

There have been countless news reports of sweeping failures in PFI schools across the UK. Here are just three examples from Liverpool, West Yorkshire and Scotland.

Liverpool may shut down superior schools due to locked-in PFIs

Teachers and parents in the Liverpool area are worried that successful schools could be shut down instead of closing PFI schools with declining student numbers. That’s because Liverpool council would face multi-million pound penalties for closing them before the school contracts are up – about 30 years from now. PFI schools can only be closed if the council pays off the entire contract.

Liverpool Council, like many others across the UK, is locked into a long-term, £300m-contract with a private firm to build and finance 18 schools. “Very successful schools could have to close (as) ... the priority will have to be to continue paying off the PFI contracts,” said Ruth Knox, Liverpool Secretary of the National Union of Teachers. “If

pupil numbers drop in a PFI school, they will still have to pay the same amount to (the private partner) but won't be getting as much money in their budget.”

Of course, this would not have occurred with publicly funded schools had Liverpool and other councils been permitted to borrow public funds to build schools. In the case of Liverpool, the Blair government had turned down requests for public sector funding. “I understand the council's dilemma and I'm certain public sector borrowing was what they wanted to do, but the government absolutely refused,” added Knox.¹⁷

West Yorkshire PFI schools reduce student achievement

At the end of 2002, teachers blamed lower exam passes on the “chronically delayed” PFI school improvements in 20 schools throughout West Yorkshire. Improvements that were supposed to be completed in September of that year were extended for an extra six or seven months.

Some of the complaints about the P3 scheme include:

- Lower test scores and more exam failures
- About 4,500 students were kept home for two weeks as a result of unfinished projects
- Computer and science labs were often out of order
- Poor quality workmanship

A local politician blamed the private builders for “a steadily increasing catalogue of poor work, dangerous practices, late handovers, inadequate standards of cleanliness and woeful consultation and liaison with headteachers (principals) which has caused substantial disruption to teaching.”¹⁸

Scottish P3 schools disrupt classes

The disastrous public-private partnership experiment in Scotland is still costing its students time away from school.

- Ballast, a contractor that went into receivership in the midst of renovating six schools in East Lothian county in Scotland, ground construction to a halt in October 2003. Companies working for East Lothian's troubled public private partnership schools project alleged that they were left with more than £5 million of unpaid bills.¹⁹ Sub-contractors who had begun work on the project claim some of them were owed “substantial six-figure sums” after the main construction contractor, Ballast, went into receivership.
- The East Lothian P3 involves the council, a management consortium called Innovate, contractors Balfour Beatty and another firm that secured the maintenance contract. The project began in January 2003, but difficulties began when the original contractors Ballast went bankrupt. Balfour Beatty took over in the spring of 2004.
- The delays and building problems continued even after a new private firm took over. In October, the principal (head teacher) shut down an East Lothian secondary school “over concerns about dirt and disruption” caused by renovation work— more than

800 staff and students were told to take the day off while cleanup ensued. Ross High at Tranent is part of a wider, £43m-Public Private Partnership (P3) refurbishment project. Shortly thereafter, a second school – Dunbar Grammar – closed for one day for similar health and safety reasons. David Eaglesham, the general secretary of the Scottish Secondary Teachers Association (SSTA), said there were similar “difficulties throughout Scotland with PPP education projects.”²⁰

P3 Schools in Canada: The Nova Scotia failure

*Nova Scotia built 30 P3 schools, and after five years of experience with them determined that they increased inequity, eroded communities, and cost \$30 million more than if they had been publicly financed. B.C. doesn't need to make the same mistake.*²¹

- Heather-jane Robertson, author and vice-president of the Canadian Centre for Policy Alternatives.

In 2000, the Nova Scotia government admitted that its public-private partnerships program to build schools had been a monumental failure. A huge P3 project to build over 50 new schools for \$350 million was cancelled in June 2000 because it had proved too costly. The controversial P3 program's cost overruns amounted to almost 10 per cent of the original budget. In such P3 arrangements (often referred to as “lease back schools”), private corporations build, own and operate the schools, which are then leased back to the school boards.

The 33 leaseback schools already built under the plan cost Nova Scotia taxpayers \$32 million more than was estimated. “When you think \$32 million would build three of those schools, it's hard not to get angry,” said Education Minister Jane Purves. “There was little or no consideration of cost when school sites were selected and little or no cost controls after decisions were made.”²²

“The former government tried to use accounting to push the costs of the new schools off-book, but they didn't fool our lenders or taxpayers. Debt is debt is debt, and we must account for it,” said Finance Minister Neil LeBlanc²³.

The province reverted to traditional public sector methods for all future school construction and operation. It said it would borrow \$200 million over four years to build and own 17 new schools, without public-private partnerships, and estimated that it would save about \$2 million per school as a result.²⁴

Apart from cost overruns, there were other troubling issues involved in a number of Nova Scotia's P3 schools:

- **Developers exerted undue influence over school site selection.** The desire to locate schools near new subdivisions meant that corporate — not community — interests dictated where new schools would be built. Developers profit directly when a new subdivision includes a school. It helps sell houses—and at higher prices.

In another case, at least one leaseback school was slated to be built on an environmentally risky location — less than 600 meters from a hazardous waste

incinerator. But a community campaign forced the Nova Scotia government to stop it from being built.

- **Private ownership of schools threatens community access.** The Horton High School lease agreement is supposed to provide “considerable after-hours use” to the school and community. Yet the board’s use of the school is capped at 3,000 hours annually.

(To read CUPE’s in-depth report on P3 schools, visit the CUPE BC website. Under “Campaigns and Issues”, click the “Public Education” button.)

Conclusion

Based on the examples cited above, BC trustees, parents, students and taxpayers must ensure that children receive high quality education in high quality facilities. The UK and Canada’s experience with P3 schools shows that governments can build those buildings more cheaply themselves and avoid expensive “partnerships” that bypass parents and student needs. Education is far too important to be left in private sector hands.

¹ Larry Blain, CEO, Partnerships BC, addressing the Canadian Council for Public-Private Partnerships (CCPPP) conference, Toronto, Ontario, November 23, 2004, 2:00 pm. Transcribed from a tape of the speech.

² Audit Commission (UK), *PFI in schools: The quality and cost of buildings and services provided by early Private Finance Initiative schemes* (UK, January 2003), p. 13.

³ Cited in the Association for Public Service Excellence (APSE) *Response to Partnership for Schools on the proposed Local Education Partnership Model as part of the Building Schools for the Future Initiative* (June 2004), p. 4.

⁴ BSF covers capital investment in England only and not in other parts of the UK.

⁵ Government of England, “Building Schools for the Future factsheet”. Found on the government website at: <http://www.number-10.gov.uk/output/Page5801.asp>.

⁶ Ibid.

⁷ “About Partnerships for Schools: A new way of procuring schools,” Accessed November 30, 2004 at: http://www.p4s.org.uk/about_pfs.htm.

⁸ Department for Education and Skills *Building Schools for the Future: A new approach to capital investment*, February 2004, p. 29.

⁹ Audit Commission (UK), “PFI Explained” in *PFI in schools: The quality and cost of buildings and services provided by early Private Finance Initiative schemes* (UK, January 2003), p.6. The Audit Commission in the UK is an independent body “responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high quality local and national services for the public.”

¹⁰ United Kingdom Parliament “House of Commons Hansard Written Answers for 12 Jul 2004.”

¹¹ APSE op cit. p. 1.

¹² Ibid, p.8. Institute for Public Policy Research (IPPR).

¹³ National Union of Teachers, “Response To Partnerships For Schools On The Proposed Local Education Partnership Model As Part Of The Building Schools For The Future Initiative” (April 30 2004), p. 4.

¹⁴ Ibid., p. 2.

¹⁵ Tim Gosling “Openness Survey Paper“ Institute for Public Policy Research (IPPR), February 6, 2004, p.4.

¹⁶ Government of England, “Building Schools for the Future The Local Education Partnership (“LEP”) Model: Volume One: An Overview of the LEP Model”, p.5-6.

¹⁷ Unison, “Cash fears for PFI school schemes in Liverpool”, *Positively Public Briefing* November 2003, p. 2.

¹⁸ Martin Wainwright, “PFI school scheme hit by chronic delays”, *The Guardian*, November 20, 2002.

¹⁹ East Lothian Courier, “Firms owed £5m in PPP collapse seek to employ corporate lawyers”, January 16, 2004.

²⁰ Schools Health and Safety (UK), “Head shuts school over renovation” (November 2004).
<http://www.schoolshealthandsafety.co.uk/html/news.htm>

²¹ Heather-jane Robertson is the co-author of the best-selling *Class Warfare: The Assault on Canada's Schools* and author of *No More Teachers, No More Books: The Commercialization of Canada's Schools* and the vice-president of the Canadian Centre for Policy Alternatives.

²² Nova Scotia Government “New Plan for School Construction Education,” Media release, June 21, 2000.
On NS Government website at: <http://www.gov.ns.ca/news/details.asp?id=20000621005>.

²³ Ibid.

²⁴ Cited in CUPE Locals 34, 1948, 2268 & 3730 “Public Risk, Private Profit: Why Lease Back Schools are Bad for K-12 Education,” May 29, 2001.