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# P3s

FACT SHEET

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## P3 Schools Fail to Make the Grade

March 2009

Last fall it was revealed that the Saskatoon Public School Board was “exploring” the possibility of using a public-private partnership (P3) to construct a new school in Willowgrove and possibly other growing neighbourhoods. A subsequent freedom of information request discovered that the Lloydminster Roman Catholic Separate School Division had also approached Saskatchewan’s Ministry of Education regarding a possible P3 school.

The Ministry of Education itself is also conducting an internal review of P3 schools, a review that will be completed in 2009. Last November, Education Minister Ken Krawetz told the *StarPhoenix* that P3 schools were not imminent and “may not be the right fit for Saskatchewan’s school system.”<sup>1</sup> However, a freedom of information request later revealed that the ministry had later contacted Partnerships B.C. to seek input into their review of P3 schools. The Gordon Campbell Liberal government set up Partnerships B.C. in 2002 to promote P3s.

A Viewpoints Research poll commissioned by the CUPE Saskatchewan in November 2008 found that 63.7% of Saskatchewan residents were opposed to P3 schools. Nearly three-quarters of respondents (73%) believed facilities like schools and hospitals should be publicly owned and controlled.<sup>2</sup> Saskatchewan citizens have good reason to be skeptical of P3 schools given their track record in other parts of Canada and the United Kingdom.

### **P3 schools cost more than publicly owned and operated schools**

Nova Scotia’s failed experiment with P3 schools that began in 1994 cost the province \$32 million more than if they had been built publicly, according to the auditor general.<sup>3</sup> Likewise, New Brunswick’s provincial auditor found that the P3 Evergreen Park School in that province cost \$900,000 more than it would have cost if built publicly.<sup>4</sup> More recently, an analysis of Alberta’s plan to establish 18 P3 “cookie-cutter” schools by economist Hugh Mackenzie found that “for every two schools financed using the P3 model, an additional school could be built if they were all financed using conventional public sector financing.”<sup>5</sup>

P3 schools are more expensive because it costs more for the private sector to borrow money than it does for governments. Borrowing rates are even higher for P3 projects because the lender generally only has recourse to the assets of the project corporation created solely for the purpose of developing and operating the single P3 project.

There are also significant legal, accounting and financial analysis costs – about 4% of the project capital cost for each project partner – that result from the complex, time-consuming P3 negotiations and transactions.<sup>6</sup>

Finally, P3 costs are driven up in order to secure an acceptable profit margin for investors.

### **P3 schools put profits ahead of the needs of students and communities**

Corporations that aim to maximize profits in our education system do so by cutting corners on construction, preventive maintenance and cleaning, and by cutting jobs, reducing staff salaries and benefits. Shoddy work at the P3 Hamptons Primary School in Calgary led to roof damage, which threatened the safety of students and staff. The Calgary Board of Education had to pay more than \$100,000 in yearly maintenance and upgrade costs for its P3 school. At Ridgecliffe Middle School, a Halifax-area P3 school, the athletic field sat uncompleted and unusable after the school opened.

The United Kingdom has experienced similar problems with its Private Finance Initiative (PFI) schools, the U.K.'s name for P3 schools. In a 2003 comparison, the National Audit Commission found that the quality of traditionally built schools was superior to PFI schools, and the former had the best examples of innovation.<sup>7</sup> Likewise, in 2006 the Commission for Architecture and the Built Environment (CABE) concluded that nine out of the ten worst built schools in the U.K. were PFI schools, prompting one commissioner to describe PFI schools as “little better than agricultural sheds with windows.”<sup>8</sup>

### **P3 schools result in a loss of public accountability**

Elected school trustees lose control over school construction and upkeep with P3 schools. In Nova Scotia, the auditor general found that the P3 consortia were not responsible for operating costs, capital improvements, repairs and technology upgrades. Under the terms of the contracts, the consortia were also exempted from financial penalties for faulty construction. Taxpayers are often left on the hook for costly repairs at the end of the P3 contract.

### **P3 schools put profits ahead of community needs**

P3 projects put profits ahead of community needs and control. Despite a looming childcare crisis, the Alberta government announced last fall that preschools and daycares would not be allowed in the new Calgary P3 schools, because providing space for these services could “strain” the private partners ability to build and maintain the schools.<sup>9</sup>

In the U.K. all of the problems with PFI schools and the overarching concern with profits have impacted day-to-day operations. The president of the Association of School and College Leaders (ASCL) recently observed that “Time and energy that should be spent on students’ education are having to be expended on continuing negotiations with contractors.” The litany of PFI issues are a “considerable burden to school leaders, very time consuming and energy sapping.”<sup>10</sup>

### P3 schools lead to higher user fees

The drive for profits also leads P3 schools to establish or increase user fees for community use of schools. In September 2001, P3 school owner Scotia Learning Centres increased most of its rental fees for gymnasiums, audiovisual rooms and other facilities. For the Bedford minor basketball association, fees more than doubled from \$20 an hour to \$50 an hour.

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<sup>1</sup> James Wood, "P3 schools not imminent, Krawetz says; Province to study public-private partnerships used in other jurisdictions," *The Saskatoon StarPhoenix*, November 13, 2008.

<sup>2</sup> CUPE news release, "P3 schools fail to make the grade," <http://cupe.ca/public-private-partnerships/P3-schools-fail-to-m>

<sup>3</sup> Natalie Mehra, *Flawed, Failed, Abandoned, 100 P3s: Canadian & International Evidence*, March 2005, p. 21-22.

<sup>4</sup> Report of the Auditor General -1998, Chapter 14, Special Report for the Public Accounts Committee, Evergreen and Wackenhut Leases, p. 191.

<sup>5</sup> Hugh Mackenzie, *Doing the Math: Why P3's for Alberta Schools Don't Add Up, A case study of the Alberta Government's plan to privatize financing and long term maintenance of new schools for Calgary and Edmonton*, Prepared for CUPE Alberta, December 2007, p.5.

<sup>6</sup> Ibid.

<sup>7</sup> <http://audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=D7701D4F-C130-4BA6-B10D-6D0644BDAA98>

<sup>8</sup> <http://www.cabe.org.uk/AssetLibrary/8704.pdf>

<sup>9</sup> Sarah McGinnis, "P3 schools off limits for preschools, day cares; Long-term leases with outside parties barred," *Calgary Herald*, September 10, 2008.

<sup>10</sup> <http://new.bbc.co.uk/1/hi/education/6647783.stm>