

# PRIVATE PROFIT, PUBLIC LOSS: THE COMMUNITY IMPACT OF ALBERTA P3 SCHOOLS



The Alberta government is using expensive and risky public-private partnerships (P3s) to build much-needed new public schools. To date, 18 have opened and 14 more are under construction. Corporations are also bidding on another 12 that are in development.

The Canadian Union of Public Employees has looked into the community costs and consequences of the Alberta Conservative government's school privatization policy. Since the first schools opened in 2010, parents, workers and school board officials have identified many problems with Alberta P3 schools. The P3 model for schools is not new. Nor is it successful.

## CRUMBLING SCHOOLS AND THE P3 "FIX"

A 1998 review of Alberta's school infrastructure found that much of it was old, crumbling or in disrepair. The report assigned a price tag of just under \$1 billion to fix the problem. The Ralph Klein government responded by promoting public-private partnerships for new school funding. Developers in Calgary's fast-growing suburbs were provided partial funding under the program to build and maintain schools that were leased by school boards. Terms included 20-year leases; developer-provided blackboards, computers and phones; and little or no access for after school leases.

Information related to these projects was not made public under the original agreements, and details continue to be cloaked in secrecy. By 2006, community and social groups were lining up against P3 schools. But these oppositional voices were left out of the conversation as the Alberta government pushed forward with more P3s.

## **RISING COSTS AND LOWERED EXPECTATIONS**

In January 2007, Alberta announced 18 new kindergarten to grade nine schools would be built as P3s, known as the Alberta Schools Alternative Procurement (ASAP). By December 2008 the budget for these privatized schools had more than doubled, growing from \$200 million to \$512 million, and confirming that the P3 model was more costly. A key factor was the much higher cost of privatized financing. Economist Hugh Mackenzie studied the P3 school scheme and 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.”

The 32-year contract to build the first ASAP P3 schools was awarded to a subsidiary of the international investment firm Babcock & Brown. By the time the contract was awarded, costs had grown to \$634 million – three times the original budget for the 18 schools in Calgary and Edmonton. Repeated requests by opposition politicians for full transparency and public accountability were defeated in the provincial legislature.

Undeterred, the Alberta Conservative government announced a further 14 P3 schools in January 2008.

Communities were taken aback by restrictive rules in these new schools. The most serious complaint was that the new schools would not have preschool or day care facilities. This was a blow to neighbourhoods in Calgary and Edmonton already facing a childcare shortage.

By the spring of 2009, Babcock & Brown had gone bankrupt. Some work on the P3 schools had been completed, but the remainder of the contract was sold off to the other partners in the consortium. The Alberta government had no say when management of the P3 schools changed hands in this way.

## VEIL OF SECRECY

The cloak of secrecy around the P3 schools extended all the way to the government's top financial watchdog. In March 2009, Alberta's Assistant Auditor General Merwan Saher told the media about problems he was having getting financial details on the six-month-old contracts. "The government would seem to be putting forward the case that revealing the sort of detail they have been encouraged to reveal would compromise the negotiations for the next batch of P3s."

In April 2010, Saher released a report on the P3 schools. Without all of the relevant information, the auditor general concluded the P3 savings were overstated by \$20 million. The report also concluded that not enough had been done to keep Albertans informed about the process, nor had the government backed up its claims about value for money.

In 2009, the second ASAP project began to fail under pressures of the global economic downturn. Although the education minister dubbed the change a "refinement," all secondary schools were stripped out of the package. The project had become too large and unwieldy, and was broken down to make it more palatable for private lenders. The four high schools were publicly financed and operated.

After the first 18 schools opened in 2010, both the public and Catholic school boards in Edmonton said they did not want any more built as P3s. The program had excluded building any new schools in low-income neighbourhoods. The Edmonton YMCA and the Edmonton Federation of Community Leagues protested against use restrictions that made it harder for families served by P3 schools to access space for childcare, community events and social programs. The restrictions and fees for after-hours and weekend use of schools meant significant losses for social groups, sports groups and the community as a whole.

## FRONTLINE WORKERS SEE THE PROBLEMS

After three years of operation, CUPE members working in P3 schools have reported significant concerns with design and maintenance. In P3 schools, direct school board employees have the same cleaning responsibilities as in regular schools, but maintenance issues are the responsibility of the private contractor – including such routine tasks as replacing light bulbs, setting clocks and going up on the roof to retrieve a ball. CUPE members see this divide between contracted and in-house work creating widespread maintenance issues, cost overruns and safety concerns.

When the lights in a gymnasium in one school came loose from the ceiling, the contractor indicated they would do repairs “in a month to six weeks.” In some schools, board staff have taken back responsibility for services like snow shoveling or re-keying schools, after significant problems with the contractor’s service quality and timeliness. In Edmonton, there were electrical problems right from the beginning. In cases where the contractor’s work failed inspection, board staff ended up making repairs. The local school board ends up paying twice to get the work done right and on time.

General maintenance is just one of the issues raised by CUPE members working in P3 schools. The ‘one-size-fits-all’ design has created significant problems. The P3 school design does not include awnings or shades for south or west-facing parts of buildings, often leading to very high (over 28°C) indoor temperatures. The design has also led to flooding concerns in at least one school, with drainage problems leading to water running into the school. Delays in repairs further complicated this issue and the school board ended up paying more for repairs.

Equipment installed in P3 schools has been of lower quality (e.g. PA systems) and some items which appear on the blueprints, like ceiling data plugs, were never installed. In one school, in response to a request to add an outlet for a TV, the contractor gave an extremely high quote that included an inflated amount for 30 years of future maintenance.

As the schools become operational it became apparent that the P3 school projects did not meet the needs of local school boards.

## REPEATING MISTAKES

Problems with lack of accountability and loss of local control of schools continue to make headlines into 2013. Yet the Alberta Conservative government is pushing ahead with plans that will shackle future generations to contracts that don’t work for the community and will cost Albertans more.

In September 2012, the Alberta government announced a third round of 12 new P3 schools in eight communities. The impacts of these P3 schools are far-reaching. They are more expensive than publicly-run schools, they do not meet the needs of the community, and they fail to deliver a safe place of learning for all students in Alberta.

This summarizes a case study on the problems with Alberta’s P3 schools. The full document, and other case studies, can be found at [cupe.ca/p3](http://cupe.ca/p3).

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