

QUALITY PUBLIC SERVICES YOU CAN COUNT ON



Protect public services we depend on



We enjoy a good quality of life thanks to public services. Canadians know they can count on public services to be accountable, accessible, locally controlled and a wise investment of tax dollars.

When the global economic crisis hit in 2008, governments around the world acknowledged the value of public investment, particularly in infrastructure. When the economic and social well-being of our communities became our central focus, suddenly private sector "expertise" was no longer the solution or an option.

Communities face an urgent need for new and upgraded public infrastructure due to years of inadequate infrastructure funding. In this context, private sector investment may seem compelling. But privatization – contracting out, alternative service delivery (ASD), and public-private partnerships (P3s) – is risky and expensive for municipalities and citizens in the long run. Costs rise,

quality suffers, local control is weakened and over time, inequality increases in our communities. Services are less accessible and projects are delayed. Public funds are diverted from core services to corporate profits.

Prior to and during the 2008 recession, the federal government funded infrastructure projects with local governments under the Building Canada Plan and the Economic Action Plan. The 2013 federal budget committed to a new program, but with funding considerably less than called for by the Federation of Canadian Municipalities and its partners – including CUPE – through the Municipal Infrastructure Forum.

The federal government has increased funding for P3 infrastructure while providing little up front funding for other projects, and is requiring all major projects to be subjected to a P3 screening.

This means Canadian municipalities seeking federal financial support to build or upgrade essential infrastructure are under increasing pressure to enter into risky P3s, which are a form of privatization.

There are other options. Federal funding is available for projects using much less expensive public financing through traditional procurement. In many cases the overall cost of a traditional public financed project is less, even without federal funding tied to P3s.

Public-private partnerships cost more, deliver less

Virtually all P3s in Canada have been justified on the basis that they are more efficient and transfer risk to the private sector. Yet, there is no foundation to these claims. Here are a few examples:

- ✓ The cost of privatization would have added \$116 million to Victoria, British Columbia's Capital Regional District sewage treatment system if the city continued with plans for P3 sewage treatment, according to research by respected B.C. forensic accountant Ron Parks.
- ✓ The South Okanagan Events Centre in Penticton, B.C., experienced deficits, delays and cost over-runs that forced the city to reduce services in other vital areas, including policing and community recreation. The city was unable to transfer the construction risk to their private partner and taxpayers were handed a bill for over \$25 million in added costs. For more information read the CUPE study *A White Elephant in Wine Country*.

✓ In January 2012, New Brunswick's auditor general released an analysis of two P3 schools. The report found the government at the time made the decision to privatize with "no evidence" to support the move, and only performed a value-for-money assessment after deciding to go ahead with a P3. The government's \$12.5 million in estimated P3 savings was inflated by overstated maintenance and other costs. In fact, public procurement would have been \$1.7 million cheaper.

✓ In February 2013, Québec Health Minister Réjean Hébert said P3s would not be used to build hospitals and other health care institutions citing maintenance and construction costs that are 11 per cent more expensive. Previously, in 2010, Québec's auditor general slammed a Montreal P3 hospital project and found the public option would save the province \$10.4 million.

Ultimately, the responsibility to provide services rests with the public sector, regardless of what a contract states regarding the transfer of risk. After the failure of the Metronet P3 in London, England, a parliamentary report to the Transport Committee concluded that "when private companies fail to deliver on large public projects they can walk away – the taxpayer is inevitably forced to pick up the pieces."

Economist Hugh Mackenzie says in the report *Bad Before, Worse Now*, "P3s waste public money because it costs substantially more to raise capital for public infrastructure indirectly through a P3 than directly through public borrowing." P3s do not make economic sense when governments can borrow at a much lower rate than private investors.

Protect services and infrastructure, keep them public

As evidence mounts that P3s and contracting out do not save money or reduce risk, privatization proponents, including PPP Canada, continue to argue for municipal P3s. Chronic underfunding has created a crisis that is putting enormous pressure on municipalities to privatize city services regardless of the detrimental impact it will have on future city budgets and the quality of life of community members.

Some Canadian municipalities have recognized these risks and are questioning the federal government's efforts to tie infrastructure funding to compulsory P3s. Local officials have begun to call on the federal government to provide more options for municipalities seeking infrastructure project funding.

The challenges facing municipalities must be solved through increased long-term public funding. Maintaining public ownership and control over water and wastewater facilities, solid waste pick-up, public transit, municipal buildings, roads and bridges, public housing and recreation centers and other vital services are essential to ensure democratic, equitable, affordable services. *Asking the right questions: A guide for municipalities considering P3s* is a useful resource that probes deeper into the costs and benefits of P3s, and urges municipalities to examine all the evidence before considering a P3. It's available at cupe.ca.



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