DESIGN-BUILD-STOP

As Canadian and international experience with P3s grows, the case for pursuing any more P3s for hospitals or other infrastructure shrinks. Higher costs and reduced transparency, combined with a direct impact on service levels and quality, make P3s the wrong public policy choice for any level of government. It's troubling that Ontario continues to promote and pursue P3s (rebranding them Alternative Financing and Procurement). Equally disturbing is the federal government's Building Canada initiative, which pushes municipalities into P3s despite their many problems.

David Wright's article ["Partnerships Revisited," *March/April 2008*] acknowledged the inconvenient—and significant—truth that P3s cost more than publicly-financed projects, thanks to higher private sector borrowing costs.

P3s also direct scarce tax dollars to lengthy and costly contracting processes, as well as drawing extra resources to oversee and administer contracts lasting two or three decades. This money could otherwise be used to build more and better facilities, as well as providing the best possible services in those facilities.

Economist Hugh Mackenzie has analyzed Alberta's plan to build new schools as P3s. He concluded that for every two schools financed as P3s, three could be built publicly. In Ontario, the P3 Brampton Civic Hospital cost as much as $300 million more than the public sector alternative, according to independent analysis of a government-commissioned review. The same analysis found the 1.35 per cent higher cost of private borrowing added $94 million to the price tag.

The Brampton hospital is one of the few projects of its kind that has received the public scrutiny all such projects require. Until a court order forced the release of many documents, corporate commercial confidentiality meant details of the hospital project were hidden from taxpayers, patients and public health care advocates.

The documents made public reveal that while project costs increased 186 per cent, the hospital shrank from a three-building to a two-building facility with fewer operating rooms and 22 per cent fewer beds. While we await the results of a full investigation by the provincial auditor, it's unclear what the benefits to the taxpayer are from this particular P3.

The level of secrecy with P3s is a public policy problem, another truth Mr. Wright all but acknowledges when he says "it is impossible to know without seeing the contract" whether the Brampton hospital contract was structured to meet public sector specifications around service levels, delivery date and budget targets.

> The private sector has a central role in the design and construction of infrastructure like hospitals. When private involvement spreads beyond these initial stages into financing, delivery and management of services and infrastructure, taxpayers, governments and businesses are in for nothing but trouble.
>
> — Paul Moist, CUPE

These accountability and transparency problems are bad for business. Under traditional public sector procurement, the construction industry worked directly with the relevant public authorities to design and build hospitals and other facilities. Now, the deals have become much more complex—and potentially risky—for both sides. What was once a direct relationship has been diverted into dealings with support service corporations and financial service institutions. The construction industry may find itself in politically-fraught situations, as has been the case in Britain, where the quality and cost of PFI (the British equivalent of P3) hospital construction have drawn fire.

In Britain, architects have criticized the impact of privatization, with one national group calling the first wave of PFI hospitals "urban disasters." Scottish and Irish architects have been equally outspoken, and now a prominent Canadian has added his voice. Last December, renowned architect Moshe Safdie resigned as the lead designer of a Montreal P3 hospital. He told the media that P3s are "highly problematic" and are not suited for building something as "qualitatively sensitive" as a hospital.

He said, "My experience is that the PPP process is not going to lead either to innovation or to anything outside the box, other than the minimal interpretation of the written specifications." Safdie's concerns about low quality and corner-cutting were reinforced by Manhattan architect Michael Fieldman. A few days after Safdie went public, Fieldman revealed that he had withdrawn from a bid to design a P3 hospital in Abbotsford, B.C.

The problems don't end with those designing and building facilities. P3s place governments in politically fraught situations, leaving them to discover that risk transfer is illusory, or ends abruptly, leaving the public sector to pick up the pieces.

"The power of P3" is a myth. P3s have not proven themselves to be the best way to deliver on-time and on-budget construction, or provide more and better services. Indeed, the opposite has often proven to be the case.

Low-cost maintenance can be built into public projects. In fact, in the hospital sector the Ontario government has moved to a system where most support services are not part of the P3 deal—a modest step towards a more balanced policy. The government's short-term P3s, which involve private financing over the construction period, don't touch support and maintenance services, a tacit acknowledgement that these are best delivered publicly.

The private sector has a central role in the design and construction of infrastructure like hospitals. When private involvement spreads beyond these initial—and crucial—stages into financing, delivery and management of services and infrastructure, taxpayers, governments and businesses are in for nothing but trouble.

The private sector played a key role in designing and building the infrastructure that is our country's bedrock. The traditional design-build approach, which keeps services and facilities in public hands, is a partnership that works.

Paul Moist is the national president of the 570,000-member Canadian Union of Public Employees CUPE.