

PPP CANADA: BACKGROUNDER FOR MUNICIPALITIES

Municipalities across the country are struggling to find adequate sources of federal funding for essential infrastructure projects. Prior to and during the 2008 recession, the federal government funded infrastructure projects with local governments under the Building Canada Plan (BCP) and the Economic Action Plan. However, the majority of this funding for municipal infrastructure has already run out, and consultations have just begun for a new federal infrastructure plan that will be launched in 2014 – leaving a major municipal funding gap.

The only federal program funding remaining for municipal infrastructure is the P3 Canada Fund administered by PPP Canada. The \$1.2 billion fund has \$250 million left in its budget for each of 2012/13 and 2013/14. The key difference between the P3 Canada Fund and the BCP or Economic Action Plan is that PPP Canada funding will only go to projects delivered as public-private partnerships (P3s).

This means Canadian municipalities seeking federal financial support to build or upgrade essential infrastructure have no choice but to enter into risky P3s, which are a form of privatization.

This backgrounder provides critical information about P3s and PPP Canada for mayors and municipal councillors who are either considering applying to PPP Canada for funding, or have been approached by PPP Canada to apply for funding.

What is PPP Canada?

PPP Canada is a federal crown corporation established in 2008 to promote and fund P3s in municipalities, provinces and First Nations communities. PPP Canada:

- Manages the \$1.2 billion P3 Canada Fund, providing up to 25 per cent of municipal and provincial P3 project costs
- Actively promotes P3s in municipalities across the country through presentations and general outreach, and in turn assesses projects for P3 suitability.
- Has completed three rounds of proposals and will launch round four in spring 2012
- Has approved nine projects as of March 2012. One has since been cancelled and another was rejected in a community referendum.
- Has identified municipalities as the “next frontier for Canadian P3s” and is actively encouraging municipalities to apply for P3 funding for large infrastructure projects, including water and wastewater facilities.

What is a P3?

‘Public-private partnership’ is a misleading term. A P3 is a form of privatization. P3s are multi-decade contracts for private management of public services or infrastructure. They can include private financing, ownership and/or operation. P3s result in higher costs, lower quality and loss of public control. The long term financial obligations of P3s are a form of debt which may be hidden from the public.

P3s are controversial and come with serious risks that are ultimately borne by city councils. Higher costs and a loss of democratic control are well-documented P3 consequences. Around the world and in Canada, auditors general and other academics and analysts have cast doubt on the assumptions and claims made about the advantages of P3 procurement.

The long-term financial obligations of P3s are a form of debt that the public sector owes to the private corporation. The private corporation acquires a profit for their shareholders during the process of repayment. Experience in Canada, the United Kingdom and elsewhere shows that the risks of P3s are not only economic but involve the loss of local governance over essential public services.

Why should municipalities be concerned?

The problems with P3s are well-known in Canada and around the world. P3s add lengthy delays and additional transaction costs to the procurement process. P3s cost more than publicly procured and delivered infrastructure and services, and P3s lock in for-profit delivery for decades – limiting the decision-making power of future municipal governments.

PPP Canada's mandate to build a P3 market in Canada reflects a broader federal government agenda to decrease the role of the public sector in delivering public services and shift responsibilities to the private sector.

PPP Canada is actively lobbying municipalities to apply to the P3 Canada Fund. With P3 funding as the only option for rebuilding Canada's public infrastructure, municipal politicians are being forced to consider privatized financing, delivery and operation of public services and infrastructure.

Some Canadian municipalities have recognized these risks and are pushing back against 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.

Possible municipal actions

1. Pass a resolution opposing infrastructure funding that forces P3s on municipalities, and send a letter to the federal government requesting that federal funding be made available for publicly procured and delivered infrastructure projects.
2. Contact your provincial municipal association and the Federation of Canadian Municipalities about this issue, and support the FCM's advocacy work towards a long-term federal infrastructure plan.
3. Learn about the risks P3s pose to your municipal budget, infrastructure and services over time, and consider the alternatives to P3s in your community.

Source: Canadian Union of Public Employees
cupe.ca/communities
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