Keep Newfoundland and Labrador public

10 problems with P3s

Across Canada, some governments are promoting privatizing public infrastructure and services through public-private partnerships, also known as P3s.

In a P3 deal, private corporations make a profit from financing, operating and/or maintaining public infrastructure projects. Municipal or provincial governments, school boards or health authorities sign contracts with private corporations to design, build, operate and sometimes finance infrastructure and deliver services that were once public. These contracts can last 30 years or longer.

Until recently, Newfoundland and Labrador has proudly been a P3-free zone. Working with our allies, CUPE helped stop the St. John's harbour cleanup from being privatized through a P3. And we've kept many other vital services public, because we know they keep our province strong.

P3s are privatization, pure and simple. There are many reasons public works best to build and maintain long-term care facilities, hospitals, water and wastewater treatment facilities, schools, transit systems, roads, bridges and other vital assets. Here are 10:

1. P3s cost the public more

Private, for-profit corporations get involved with P3s to make a profit for their shareholders. Those profits are made charging more for the project (including financing costs), and/or from cutting the operating costs. Lawyer and consultant fees add even more to the P3 pricetag.

In 2014, Ontario's auditor general reviewed 74 P3 projects and found they cost $8 billion more than if they had been publicly financed and operated – that's 30 per cent more than public projects would have cost, or about $1,600 per Ontario household. Fully $6.5 billion was due to higher costs of private borrowing.

Governments and other public sector bodies can borrow money to build infrastructure much more cheaply than the private sector. P3s are like using a credit card instead of a low-cost mortgage to build public facilities.

2. The public still shoulders the risk

Even advocates of P3s admit they cost more than publicly-delivered projects. To sell the deals, advocates have developed complicated arguments and questionable calculations about risk transfer and efficiency to gloss over the fact their costs are higher.

P3 contracts include hefty additional charges for any risk that is transferred from the public to the private sector. Even then, private corporations can seek bankruptcy protection and walk away from contractual commitments. When this happens, governments must scramble to maintain public services, and taxpayers are stuck with the higher costs of private sector operation.

Provincial auditors general have found that the way government agencies promoting privatization analyze P3 projects is biased, and does not take into account the higher cost of private financing. In Ontario, the auditor found no evidence to back claims P3 projects shifted risk to corporations.

3. P3s hurt workers

P3 contracts often involve outsourcing good public sector jobs to for-profit operators. This can involve all jobs or some types of jobs such as cleaning, maintenance or food preparation. Ultimately, the for-profit operator seeks to maximize profits by cutting corners and doing more work with fewer staff. Furthermore, the tight budgets that come with higher-cost P3s can also lead to deteriorating wages and working conditions. Finally, there are no guarantees that jobs will be protected over the life of a P3, even if there are initial promises of job security. As one example, nearly 400 jobs have been cut since the North Bay P3 hospital opened in 2011.

4. P3s operate in secrecy

Privatization means details about financing and operations are hidden from the public. P3 contracts involve lengthy and complex negotiations behind closed doors. Unlike governments, private corporations are not subject to the *Freedom of Information Act*. This means residents don't have access to information about the environmental and economic actions of companies. Most so-called 'Value for Money' reports about P3s edit out important financial information about how that value was calculated. This means we can't accurately assess the true costs of privatization.

5. We lose public control and accountability

Private corporations answer to shareholders – not residents and elected officials. The mandate of shareholders is to ensure profitable and growing businesses. Our governments answer to the public. At best, P3s blur the lines of accountability and responsibility. Basic public services like health care, water and wastewater treatment should respond to the priorities of the people that rely on them, not the profit motives of shareholders.

6. Multi-decade contracts limit flexibility and responsiveness

P3 contracts lock local governments into multi-decade deals with private companies. As technology improves and community needs change, P3 contracts tie the hands of municipalities, provincial governments, or school boards that want to adapt and evolve. Changes can only be made after re-opening contracts, and come at a high price. With trade deals like CETA coming into force, governments will find it difficult or impossible to end a P3 when it goes bad.

7. Local businesses lose out to large corporations

Governments have always relied on private, home-grown, companies to design and build public infrastructure. P3 contracts price small and medium-sized companies out of the game. Only large corporations can provide the up-front financial backing the deals demand, and engage in complex P3 negotiations. This means local design and construction firms can't bid on projects. It also means, in the long term, that many decisions about local services are being made in corporate head offices, not in communities.

8. Money and jobs leave the community

Public services offer local residents good jobs in the community. These jobs provide opportunities to train and enhance the skills and experience of residents, and in turn strengthen the area's resiliency. This is crucial in tough economic times. And projects in the hands of local governments rely on local private sector firms and expertise to design and build public infrastructure. P3s rely on external investment and expertise and often source materials from outside the community. Money that could be returned to the local economy and tax base goes elsewhere.

9. “On time, on budget” claims are false

The ‘discipline’ of public-private partnerships is an illusion. P3 projects can claim to be “on time and on budget” only because the completion date gets set after the lengthy lead time – usually years – it takes to reach the contract stage for P3s. Budget goalposts shift to meet whatever the contract costs.

10. P3s download costs to future generations

Governments tout the short-term financial benefits of P3s, but P3s are not a short-term project. We all end up paying for P3s down the road. Future generations that had no say in the decisions end up locked into paying the extra costs decades into the future, leaving less money for public services and other community priorities.

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