



Canadian Centre for
Policy Alternatives
Manitoba Office

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The Unbearable Resilience of P3s

On March 6, 2017, the Winnipeg Free Press reported that the Manitoba government was examining Saskatchewan's experience with using Public Private Partnerships (P3s) to build new public schools. The Saskatchewan government claims that it will save \$100m dollars by using P3s, although it was not explained how it arrived at that conclusion.

We do know how a similar strategy worked in Nova Scotia. Our office there did a study on the 39 schools that were built and managed under a P3 contract. According to the report: "Since the earliest days of the program in the 1990s, the P3s schools have been controversial. Cost overruns, massive private profits, mismanagement, and problems with the construction and management of the schools have all been reported".

Those of us who, over and over again, present empirical evidence that P3s are more likely to cost the public more and deliver poorer service are distressed at the way P3s remain unaffected by the reams of research and expert opinion showing how badly they tend to perform. Our CCPA colleagues in Saskatchewan (Simon Enoch) and Nova Scotia (Christina Saulnier) make the same observation:

The CCPA has published numerous publications on the question of P3s because they have been so pervasive and so riddled with problems. There have been books written. Our organization has even published helpful guidelines outlining the 10 questions that should be asked AND fully answered before entering into these partnerships. Never are all of these questions asked and rarely are they fully answered.

In November of last year, one such report, Privatization Nation, chronicled some of the most egregious failures of privatization in

Canada in recent years. We thought this to be conclusive evidence that despite 30 years of experience governments rarely seem to get privatization right, and more often get it wrong with astonishing regularity.

Why does such a bad idea keep haunting us? The "10 questions" piece sheds some light on the mystery:

Part of the reason that P3s have become so prevalent is because of the efforts of a strong P3 lobby group made up of such entities as the Canadian Council for Public Private Partnerships (CCPPP). Membership on this council includes construction companies, and consulting companies such as Deloitte and Touche (which was hired by the City of Winnipeg to opine on its plans to P3 its waste-water treatment plant and water service). This lobby group publishes reports that depict P3s in glowing terms and consultants such as Deloitte and Touche do not, to our knowledge, ever find a P3 proposal wanting.

P3s remain immune to evidence, reason and logic because a very powerful corporate Canada is spinning them hard. And why wouldn't they? They stand to profit handsomely from these deals (they wouldn't be interested if they didn't); but it is this very profit motive that sets the stage for poorer service and/or higher prices, especially because corporations must pay more than governments to borrow money. Once again: the research is abundant. Why is the media ignoring it?

Part of the reason is the arcane nature of P3s. They are complicated and, quite frankly, make boring copy. Only the most dedicated policy nerd is likely to delve into an analysis of discount rates, value for money calcu-

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lations, interest rate differentials and legal terms. The average citizen doesn't have the time required to crack such a hard nut, and newspapers, fighting for their lives, don't want to alienate an increasingly distracted readership. But the complex nature of P3s doesn't just make them a tedious read, it makes them difficult to argue against. Once again Enoch and Saulnier explain:

[. . .] many P3 advocates argue that any past faults of P3 projects are invariably the result of poor contract design, as governments new to the P3 procurement model failed to sufficiently protect their interests. Such “bad contracts” are now thought to be a thing of the past, as governments “learn from their past mistakes.” Rarely considered is that certain governments may always be at a structural disadvantage when negotiating these often byzantine contracts that stretch over decades with powerful multi-national corporations. In particular, few municipal governments or even provincial governments for that matter possess the in-house, legal, technical, and financial expertise necessary to structure such a critical contract. In contrast, a number of large corporations—such as those with extensive P3 track records will have considerable expertise in this arena.

The previous Manitoba government understood that governments were at a disadvantage when it came to P3s so it brought in legislation to level the playing field. The Public-Private Partnerships Transparency and Accountability Act was passed in 2013. The only legislation of its kind in Canada, it forced transparency and accountability on government and private companies when a P3 was being considered. CCPA MB presented at the provincial hearings on the proposed legislation. In our submission, we stated that:

Our reasons for supporting Bill 34 are based in the substantial empirical research

showing that P3s are often not the most efficient way to meet our infrastructure needs. They are also based on the lack of transparency common in the evaluation process, which leaves the public in the dark as to the true nature and benefit of the contract.

This lack of transparency is a result of two common issues: the complicated and sometimes manipulated evaluation process used to determine if P3s are indeed in the public's interest; and, in what can be the deliberate withholding of key pieces of information from the public.

With the passing of the bill, Manitoba effectively got a kind of ‘value for money’ process for evaluating P3s. This is exactly the sort of change any government should be in favour of, as its purpose is to protect tax payers. So it is very disappointing that the Conservatives just announced new legislation that would remove this protection and once again expose Manitobans to the machinations of the P3 lobby groups.

Minister Wishart claimed that the P3 legislation made it difficult for the private sector to build schools. It didn't really; what it did was make it difficult for the private sector to build schools in a way that rips off tax payers. So we're back to where we started: in the dark, too distracted to appreciate what's at stake and at the mercy of the P3 lobby group.

If only P3s weren't so boring.

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