



Background

Privatization is a world-wide conservative political and economic direction. It comes in various forms in various jurisdictions as it adapts to particular political circumstances. Public assets are sometimes sold outright

– like Air Canada, CN or Petro Canada. One of the newest forms of privatization is Public-Private-Partnerships (P3s). These are a hybrid form of privatization which places private profit ahead of public service. Due to the bad name developing around P3s, in Ontario, they have been rebranded as Alternative Financial and Procurement projects (AFPs).

The move to P3s and AFPs

Hardline neo-conservative governments like Thatcher in the UK, Reagan in the USA or Mike Harris in Ontario, actually preferred out and out privatization of public assets. Thatcher privatized water in the UK. Harris privatized Highway 407. These neo-con governments only use P3s when the total privatization option is too politically difficult. This is the reason Harris used P3s in the case of two hospitals in Brampton and Ottawa.

Small 'l' liberal governments such as Tony Blair's in the UK, the spiritual home of P3s, and the Ontario government under Dalton McGuinty are more attracted to the P3 option. Years of neglect by all three parties in Ontario has left the province with a crumbling infrastructure in old parts of cities for schools, hospitals, courthouses, and a backlog of needed new facilities in growing areas. Faced with a clear need to build and renovate, a serious deficit left over from the previous government and an important political promise made to the Ontario electorate not to raise taxes, the Ontario government has taken the path of least resistance, the P3/AFP route.



The government promised, when in opposition, to end the two P3 hospitals and not create more but now believes that it can offer new facilities to Ontario citizens by using the P3/AFP model without raising taxes or increasing the deficit. However, this policy of 'off book' accounting is really short term gain for serious long term pain.

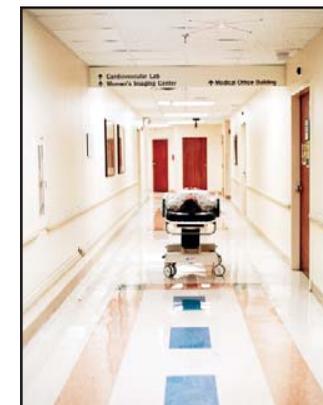
Evidence continues to mount that the P3/AFP direction is fraught with problems. In the UK, public support for P3s is seriously waning. The P3 hospitals are running massive deficits and asking the government to bail them out. Patients are complaining about fewer hospital staff with lower levels of training. Infection rates are on the rise; there are accusations of shoddy, 'on the cheap' construction and less overall capacity.

In their evaluation of P3 hospitals, the British Association of Chartered Accountants concluded that the costs were higher than those hospitals financed by the government even though the P3 hospitals were smaller than the ones they replaced. They also found that those were more likely to be in deficit than the national average. The association noted "Most P3 projects would fail the value for money test." Only one percent of the accountants surveyed said the P3 projects offer value for money.

Higher borrowing costs, since the government can always borrow at lower cost, and the need to offer shareholders a large profit, in the 15 to 20 percent range, have caused the *British Medical Association Journal* to conclude "that is a lot of money diverted from patient care."

What is an AFP?

The Ontario government says that AFPs are not P3s because the facility ultimately returns to the public sector. This actually matters very little. What really matters is the abrogation of ownership, control and



accountability and the resulting problems above, during the private phase.

The Toronto Star has taken the position that the government is "failing the test of leadership" by turning the hospitals over to the private sector through its Alternative Financing and Procurement (AFP) plan. In its editorial, May 11, 2005, *The Star* challenges that, "AFPs are just another name for the unloved P3s, public-private partnerships first introduced by the former Conservative government." Before the last election, the Liberal party wrote to Ontario unions agreeing that "P3 hospitals cost more, while providing a lower quality of service." As a result of deficits, British P3 hospitals have had to cut 30 per-

cent of beds. They are also cutting staff including doctors and nurses.

Decision makers and the general public need to be aware that this direction is not confined to the health sector. The Blair government in the UK has created an entire school system called 'City Academies' where the program is part of the state system, but all of the facilities are in private hands. It is only a matter of time before the same misplaced financial priorities begin to divert resources from programs to shore up shoddy, deficit ridden, physical plants and buildings.





A failed experiment in Nova Scotia

Canada's most famous disaster with P3 schools took place in Nova Scotia from 1997 to 1999. A Liberal government decreed that all new schools would be P3 schools. By 1999 the province had elected a Progressive Conservative government that cancelled the scheme as totally unaffordable. The provincial auditor found that the 38 P3 schools already built had cost \$32 million more than the traditional public investment approach. Moreover, the schools were plagued with problems from leaky roofs, unfinished playgrounds, high costs for after school use, and even a demand for a share of chocolate bar sales.

According to a recent poll in the UK, support for P3 projects in that country is down to 10 percent (MORI poll 2001). This is not surprising since almost all of the projects have been marred by the use of shoddy materials and methods, and are already breaking down. The Commission for Architecture and the Built Environment has raised concerns about the quality of design of P3 schemes. Almost all P3 hospitals are in a serious deficit position.

Each new jurisdiction believes that these projects will suddenly work in their area when they have not worked elsewhere because they will do things differently. The evidence is showing however, that this is not the case; in fact the problems are endemic to the model due to the initial borrowing costs and high profit requirements.

OSSTF calls on the government of Ontario to, at the very least, call a moratorium on further P3/AFP public projects and reexamine the entire direction. OSSTF calls for a return to a system of publicly financed, high quality public services staffed by public sector workers.

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EDUCATION WATCH

Why privatization, P3 schools
and AFP privatization schemes
don't make sense

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