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BC HEALTH COALITION

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New report advises looking at alternatives to costly P3s

A new report released today entitled *Financing Canada's Hospitals: Public Alternatives to P3s* argues that P3s are an expensive way to finance public infrastructure. The author, economist Hugh Mackenzie, makes several recommendations in the report, including the creation of a stable capital investment program funded by all levels of government that would amortize the cost of public projects over the life of each asset.

"P3 deals are inherently risky" says John Irwin, a researcher at the Canadian Centre for Policy Alternatives. "Private partners must pay higher borrowing rates than governments. If and when these companies run into financial trouble, governments end up bailing out projects to the tune of millions of dollars because communities cannot go without hospitals."

"The BC government is steamrolling ahead with P3 contracts for the Abbotsford Hospital and the VGH ambulatory care facility even though countless studies show that P3s lead to added costs, less transparency, poorer quality of service, and even longer waits for patients" says Alice Edge, co-chair of the BC Health Coalition. "Not only that, but this government continues to contract out more and more surgeries to private clinics instead of using public facilities that are already built and sitting idle."

Mackenzie notes that Canada has seen a consistent decline in public capital over the last several decades and the share of investment has shifted dramatically. The federal government's share of investment for public capital stock fell from 34% in 1955 to just 22% in 2003. During the same period, the provincial share dropped from 39% to 26%, and the municipal share rose from 27% to 52%.

"What we are witnessing is a downloading of responsibility from senior levels of government with larger and more flexible revenue bases to local governments with smaller and less flexible revenue bases" says Lesley Moore, coordinator of the BC Health Coalition. "Senior levels of government are neglecting their responsibilities and then turning to P3 financing to take the costs off the books. One way or another we're still paying for it, the question is do we want to pay more and get less?"

Richard Neal from the Fraser Health Coalition is concerned about the lack of accountability, noting that "public private partnerships are secretive contracts that taxpayers can never fully review until it's too late - 'commercial confidentiality' is used as a smokescreen to avoid public scrutiny and oversight."

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