

Abbotsford Regional Hospital and Cancer Centre: BC's first Privatized (P3) hospital *April 2005*

What is a P3?

Public-Private-Partnership (P3) is a term for another unpopular privatization mechanism. The public knows that privatization is bad for public services. P3s sound more friendly, but the end result is the same--more private sector control over and involvement in public services. When P3s are formed, the public loses access to information about contract details and profits. P3 contracts vary, but to date, health care P3s in BC include private involvement in the financing, design, and operation of health facilities.

What's Wrong With P3s?

COST:

- Even proponents of P3s such as the Fraser Health Authority, Partnership B.C., B.C. Ministry of Health and the BC Ministry of Finance acknowledge that P3 hospitals are more expensive than their publicly financed counterparts. They describe these extra costs as representing unverifiable 'value for money.'
- P3s do not represent additional funding for public services – they are a more expensive form of debt that must be repaid. Governments are able to borrow money at a much lower interest rate than corporations. *This isn't just a bad deal for health care, it's a bad business deal.*
- Public health care is cheaper because private companies have to divert money into marketing, higher administrative (including legal) costs, huge executive salaries, investor relations, income taxes (public bodies do not pay income tax), and most of all – profits. Investors in private health care expect profits in the range of 12-20% annually. P3 consortia can expect even more.

According to the Association of Chartered Certified Accountants: "PFI (British term for P3s) is a form of borrowing, not funding, that shifts the burden onto future generations...."and is "an expensive way of financing public services that may, where public expenditure is constrained, lead to cuts to public services and/or tax rises."

ACCOUNTABILITY:

- P3s allow our elected and unelected government officials to avoid answering to the public, under the guise of "commercial confidentiality." They're a great way of avoiding responsibility, and provide a smokescreen to anyone who does not want to answer your questions.

QUALITY OF CARE:

- Where P3 financing has been used for health services in other areas, the high cost of private financing has meant that there's less money to spend on bedside care. The high cost of private finance is hidden from the public and robs our health care budgets. According to Prof. Allyson Pollock of the School of Public Policy at University College London, some 10,000 beds have been closed across England and Wales since 1996, as the extra financing costs associated with the use of private finance have forced local health trusts to cut costs in many service areas. The use of P3s to fund health services and infrastructure is described by Pollock as resulting in the largest bed closure program in UK history.

The Abbotsford P3

The Abbotsford Regional Hospital and Cancer Centre will be a privately financed, and administered hospital for the next 30 years. Whether or not the local residents really want privatized health care, the BC Liberal government is determined to push ahead with the initiative – as if the only choice for Abbotsford is between a P3 hospital or no hospital.

What's the problem?

Cost Overruns:

- **A 94 % cost increase:** The total project cost estimate has risen 94% to \$1.4 billion, up from \$720 million, over the 33 year contract.
- **Skyrocketing construction costs:** Construction costs rose from the original \$211 million in 2001 to \$355 million in January 2005.
- **Increased lease payments:** Lease payments to the private sector have more than doubled from \$20 million a year to \$40.6 million a year. WHY?
- **Cheaper if Public:** Any positive benefit for the Abbotsford P3 relates to the idea that “risk” can be transferred from the public to the private sector. If you eliminate the risk transfer, the public sector could actually build the facility for \$35 million less than the private sector. Further, risk transfer does not take into account the increased risk to the public sector that may result from the contracting out of housekeeping and other support services for 30 years.
- **The sinkhole effect:** Due to the cost and scale, the project could monopolize the budget of the Fraser Health Authority. “For Abbotsford,” says one report, “the risk is that the necessity to pay the obligations in a 30-year contract might at some point crowd out needed expenses for other health care services, and in some other parts of the region.”

Lack of Accountability and Transparency:

- The government will pay the private consortium – Access Health Abbotsford - \$393 million above the total cost of the project, but no one knows how much of this figure is profit.
- During the Request for Proposal phase, bid submissions were not open to scrutiny by the public, legislators or the press.
- In the end, there was only one successful bidder, but Partnerships BC proceeded anyway.

What is Access Health Abbotsford?

Access Health Abbotsford, the successful bidder, is a consortium of companies including:

- **Brookfield LePage Johnson Controls** – joint US/Canadian company. US Johnson Controls, as the parent company is worth over \$20 billion worldwide.
- **PCL Construction Group Inc.** – Alberta-based company. Previous P3 projects include the controversial P3 schools in Nova Scotia. They donated \$33,740 to the BC Liberal Party in 2002.
- **ABN AMRO Bank N.V.**- world's 14th largest bank from Amsterdam (ING Direct is a Canadian subsidiary). It financed the failed privatized hospital in Traralgon, Australia. With losses mounting in the millions the hospital operators went to the government to demand new funding and when denied launched a lawsuit against the government. The state government had to take the hospital back into public hands.

It's NOT too late to stop BC P3s:

The Abbotsford Privatized Hospital is the first, but not the only P3 health facility planned for B.C. The Vancouver Hospital Ambulatory Care Centre is also a P3 project, awarded to Access Health Vancouver, and there may be more on the way. .

Talk to your local elected and unelected officials and tell them there is no evidence to support P3s. For more information go to: www.p3watch.ca.

It's our money. It's our health care. We deserve to know what's happening!

Authorized by the BC Health Coalition; Alice Edge; a registered sponsor under the Election Act, (604) 220-7294.

