

# Keep Saskatchewan Public

## 10 Problems with P3s

The Saskatchewan government is a big promoter of privatizing public infrastructure and services through public-private partnerships, also known as P3s.

In a P3 deal, the government gives private corporations a greater role in financing, operating and/or maintaining public infrastructure projects at the expense of taxpayers. Local 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.

**There are many reasons public works best for Saskatchewan. Here are 10:**

# 1

### **P3s cost the public more**

Private, for-profit corporations don't get involved with P3s out of the goodness of their heart. They do it to make a profit for their shareholders. P3s are made profitable through higher project costs, and/or by cutting the costs of project operations. Noted forensic accountants Ron Parks and Roseanne Terhart found that P3s in British Columbia have cost as much as 130 per cent more than traditional public projects. 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.

# 2

### **Private financing is more expensive**

Local governments and other public sector bodies can borrow money to build infrastructure much more cheaply than the private sector. Even advocates of P3s fully admit this. To sell their plans, advocates have developed complicated arguments about risk transfer and efficiency to gloss over the fact their costs are higher.

# 3

### **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 laws. This means residents don't have access to the contracts or information about the environmental and economic actions of companies. It also means residents can't accurately assess the true costs of privatization.

# 4

### **We lose public control and accountability**

Private corporations answer to shareholders - not citizens and taxpayers. The priority and mandate of shareholders is to ensure profitable and growing businesses. Local governments answer to the public; corporate shareholders and boards of directors do not. Basic public services like water, health care, and sewage treatment should respond to the priorities of citizens, not the profit motives of shareholders.

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# 5

### **Taxpayers still shoulder the risk**

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

# 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 or school boards that want to adapt and evolve. 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 multinational 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 local government projects. It also means, in the long term, that many decisions about local services are being made in corporate head offices, not city hall.

# 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 timeline 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 paying for the extra costs decades into the future, leaving less money for public services and other community priorities.