

December 8, 2008
Attn: Assignment Editor

FOR IMMEDIATE RELEASE

Health Coalition Vindicated in Auditor General Report: Hundreds of Millions of Dollars in “Mistakes” in Brampton P3 Finances

Coalition Renews Calls for Disclosure of Financial Information on North Bay and Sault Ste. Marie Deals

*Cost Overruns in the \$ Hundreds of Millions Continue Unabated in Privatized P3 Deals
while Hospitals are Cutting Services and Laying Off Staff*

Toronto, Brampton – Seven years of work to raise the issue of high costs and lack of public accountability culminated in an Ontario Auditor General’s Report that should cause an immediate moratorium and re-evaluation of the McGuinty government’s hospital P3 privatization policy.

“The auditor’s findings show that the Brampton P3 hospital costs increased from a projected \$357 million at the outset of the P3 project to \$614 million at the end of construction,” noted Natalie Mehra. “These numbers corroborate what we have been saying for years. For a building that is significantly smaller than projected the hospital cost almost doubled. If the McGuinty government had not refused to listen in its first six weeks in power, the outcome could have been completely different. If the Harris/Eves government had not refused to listen, it is much more likely that this exorbitantly expensive boondoggle would have been avoided.”

“The revelations about the multi-million dollar mistakes in the financial documents in the Brampton P3 should rekindle demands for immediate disclosure of the financial information in the North Bay and Sault Ste. Marie P3 deals. If there is nothing to hide, then why hide it? Today, we reiterate call for a moratorium and a full review of the P3 privatization deals that have been signed.”

“Right now we have hospitals that are forced to cut patient services, lay off nurses, health professionals, doctors and staff because of provincial policy forcing them to eliminate budget deficits while truly enormous cost overruns in the privatized P3 hospitals are ignored by the McGuinty government,” she noted.

“When the McGuinty government decided to go forward with the privatized P3 hospital in Brampton, they claimed it was not a P3. They claimed that it was different, that it was not privatization, and that they had solved the mistakes that were made in previous P3 privatization,” she added. “We fully expect them to repeat these claims today. But, there is no denying that every single P3 hospital in Ontario has experienced huge cost overruns and that all the financial information has been hidden from the public. In North Bay and Sault Ste. Marie the hospitals have more than doubled in capital costs alone. The rumours in Niagara are that the hospital cost has increased dramatically, though nothing is public yet.”

“Sadly, the lessons have not been learned. They will not be, as long as the only advisors that the government listens to are those who come from the P3 industry – the financiers, law firms, service privatizers and giant construction firms -- who directly benefit from the exorbitant costs of this privatization policy,” she concluded.

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Background & Key Findings

The health coalition worked diligently to force disclosure of the numbers, and to gain public attention and explain the consequences of the government's decision to privatize formerly public infrastructure. The coalition worked with hundreds of nurses and dozens of doctors to send open joint letters to the premier calling on him to revisit the P3 policy. The coalition teamed up with several unions (SEIU, OPSEU, CUPE) to take the hospital to court to force disclosure of documents that would ultimately reveal major problems with the financial documents. The coalition held repeated town hall meetings, tracked data, lobbied, obtained independent economists and accountants to review the documents, and held two major protests each including thousands of people, just to get the auditor to look at the deal. Despite the huge cost of the project, it has been five years since the deal was signed before the audit has come out.

Among the auditor's findings:

1. The costs of the project increased from an initial projection of \$357 million to a final cost of \$617 million for capital (bricks and mortar) alone.
2. The auditor finds that the higher rate of interest charged by the private sector consortium meant that the hospital cost \$200 million more than if it had been financed in the traditional manner; a fact that is ignored in the hospital's financial comparisons though it had been repeatedly raised as a major criticism by economists, auditors, the coalition, newspaper editors and others.
3. The costs for "consultants" were exorbitant, and unnecessary but for the decision to proceed with P3 privatization. The total cost for consultants was \$34 million, of which \$28 million should be attributed to the P3.
4. The financial documents used to justify the P3 (called the Value for Money benchmark) overstated public comparator costs by a huge amount - \$634 million over the life of the project (or \$289 million in 2003 dollars). This echoes the findings of the independent review by Lewis Auerbach that the coalition released several years ago.
5. The auditor is extremely conservative in his choice of language and gratuitously – and without any independent evaluation of this claim - includes a quote from Infrastructure Ontario claiming that the newer P3 hospitals have solved all the problems experienced in the Brampton deal. (This same claim was used at the time of the announcement of the Brampton P3 hospital regarding the previous P3 problems around the world. Despite this claim Ontario's newer P3 hospitals have each more than doubled in cost from original projections and the government continues to refuse to release the financial information regarding these deals).

The Ontario Health Coalition is writing an analysis of the auditor's report. It will be posted to our website tomorrow at www.ontariohealthcoalition.ca