



Who is involved in P3s?

Enderby parents already have to hire tutors because of the school board cuts. So the private sector is already infringing on the public system. Plus, parents have to pay more. Now there's even talk of residents adopting streets, sidewalks and parks. Residents would be expected to look after their adopted portion of the street or park. What about safety or continuity of service? It won't be there.— Dee Jones, a school board worker in Enderby (Local 523)

P3s are often sold with the argument that services currently done by the public sector will be taken over by small businesses in the community. This has not proven to be the case. In fact, contracted-out services tend to be done by large corporations that drive small competitors out of the field.

In Denver, CO, the transit department contracted out service to three national companies: Mayflower, Laidlaw and ATC/Vancom. Typically, the strategy of such firms is to capture a new market quickly and drive out small competitors by submitting a very low initial bid. In this case Mayflower submitted a bid, which was half the cost estimated to run the service. Sure enough, within two years the charges from Mayflower were doubled. ⁴

In 1997, Laidlaw purchased ATC/Vancom. Any suggestion of real competition here disappeared.

What is true for transit is also true for many other services such as custodial and cafeteria services. The companies competing for this work are not small, “mom and pop” operations; they are huge international conglomerates.

Sodexo has been in the news in B.C. They were hired by the new Northern Health Region Authority to advise on how work could be contracted out. Sodexo is a huge international company that provides contracted-out support work in hospitals in the United Kingdom. They were recently given a contract in Hamilton, Ont., to provide housekeeping services at all Hamilton Health Sciences locations. Sodexo also provides catering and support services in schools and post-secondary institutions.

Where the private sector delivers public services, mergers and takeovers have dramatically reduced any possibility of competition.

For example, Canadian Waste Services Inc., a subsidiary of American Waste Management Inc., has bought out both Laidlaw and Browning Ferris.

Canadian Waste has also acquired Philip Environmental Inc., Universal Disposal Services Ltd. and the solid waste assets of WMX Technologies Inc. The Canadian company now has annual revenues exceeding \$600 million.

What happens when contracts expire and these cities must go back to the marketplace?

With few competitors, Canadian Waste can likely force higher costs on the cities. That is what has happened in Hamilton. Local politicians were shocked to discover regional staff proposing a 14-month contract extension with Canadian Waste that would have cost taxpayers and additional \$12,875 more per month – roughly a 20 per cent increase.⁵

The Canadian Competition Bureau reviewed Canadian Waste's acquisition of certain services previously provided by Browning-Ferris. While it did not object, as a result of discussions Canadian Waste agreed not to acquire other Browning Ferris services, including recycling in Vancouver and Kelowna.

The bureau has already expressed concern about Canadian Waste, and the people of Hamilton are finding out exactly what that means.

Further, once assets for solid waste management are eliminated, it becomes much harder for a municipality to go back into the service. The municipality becomes a captive to the ever-fewer private garbage giants that control the industry.

Vancouver looked at contracting out its waste collection a decade ago and decided not to proceed. As Vancouver Mayor Philip Owen said, "My concern then was what if we went ahead and dismantled our sanitation department, we could be held to ransom by whoever won the contract."⁶

In a contracted-out, P3 environment, huge international companies will soon come to dominate the marketplace. Competition will be transitory. Savings will be fleeting, lasting only as long as it takes these large companies to control the industry.

Who's pushing for P3'?

There are a lot of questions about the value of P3s. There is clear evidence, at least in some jurisdictions, that possible savings from P3s have been oversold. Serious questions have been raised about issues like control and service quality. Trade issues raise the spectre of once in, never out. Why then is this model being pushed and who is pushing it?

It is not the general public. Polling consistently shows that people want to see public services publicly delivered. Last year, for example, a poll showed that two thirds of the population opposed letting a private company manage water for the GVRD.

However, while P3s may not be the promised panacea for public bodies, they are a guaranteed source of profit for private companies. Every school board, municipality and health region in B.C. is having dents pounded in their doors from companies that want a piece of the action.

The biggest push for P3s comes from companies who will profit from them. Consulting firms active in the P3 business are helping these companies. PriceWaterhouseCoopers, for example, is routinely hired to provide advice on P3 issues. In 2001 the City of Kamloops hired the firm to advise on a possible P3 for its water filtration plant. The firm recommended the city proceed with a P3 and denigrated the concerns of local citizens.

PWC is one of the founding members of the Canadian Council for Public Private Partnerships. The council is the lobby organization for privatizing government services in Canada. In a recent press release in the United Kingdom, PWC bragged they had hit the £one billion figure in working with privatization. They announced a new £110 million partnership with Edinburgh City Council to deliver new and refurbished school facilities.

PWC was also listed in Ottawa's register of lobbyists as a lobbyist for The Seagram Company Limited. When Seagrams recently merged with Vivendi, the world's largest private water company.

More recently PWC was engaged by the Fraser Health Region to report on the advisability of proceeding with a P3 hospital in Abbotsford. Not surprisingly, PWC recommended a private hospital in their report. The Fraser health Region attempted to prevent the financial information in the report from becoming public. Fortunately, they failed. An examination of the report by forensic auditor Ron Parks questioned any possible savings.