

## **Winnipeg Free Press (July 21, 2002)**

### **Warning: The P3s are coming!**

**By Murray Dobbin**

I am a definite outsider when it comes to corporations, so I don't often get to enter the corporate culture and observe its special little rituals.

But in May, I got the opportunity at a conference of the Canadian Council on Public-Private Partnerships (C2P3), the front-group for some of the world's largest corporations who try to make people feel good about privatizing every precious public service we have.

The folks at C2P3 swept into Vancouver in a mood that can only be described as giddy anticipation. They could just taste the profits soon to be made with the new Gordon Campbell anti-government, eager to turn over public services to the private sector. The Premier's Deputy Minister Ken Dobell had already declared that "the choice is now between either not getting the project done at all or delivering it through a P3."

The conference was a two-day cheerleading session for P3s, and no one was allowed to say a negative word about these corporate giveaways. Journalists at the event were not allowed to ask questions during the sessions – we were reduced to trying to find presenters in the halls amongst the paid-up delegates munching their canapes at the breaks.

There were times when I felt I was at a meeting of the Shriners or some other secret society. The P3 priesthood even makes up its own language, with several promoters talking about the need for the "incentivization" of businesses to get involved, and how to "incent" business and government into embracing P3s.

I, however, remained unincented. I would have liked to ask some questions of the privateers about their actual record. Or, as they liked to say at the conference, their "outputs". I would have especially liked to ask them about companies repeatedly defrauding governments, like dozens of American health-services corporations. (Many U.S. health-industry players now have their eye on Canadian medicare -- there was a whole session on health care.)

In the mid-1990s, health-care fraud by U.S. corporate giants has been estimated as high as \$100 billion annually. Washington actually started catching up with some of these crooks by 1994 -- the year that National Medical Enterprises paid a then-record \$379 million in fines and restitution for fraud in psychiatric services. In 1997, the mega-giant Tenet Healthcare Corp. agreed to pay \$100 million to settle claims that patients were kept in psychiatric hospitals simply to maximize insurance payments. In 1999 alone, the U.S. Justice Department recovered \$840 million stolen from the taxpayers through health-care fraud.

Columbia/HCA Health Corp., America's largest hospital company, agreed to pay \$745 million to settle civil fraud charges. In 2001, Tap Pharmaceuticals agreed to pay \$875 million, including a \$290-million criminal fine. Schering-Plough Corp. will pay the U.S. Food and Drug Administration \$500 million.

Lest you think that all that is involved here is a few hundred billion in tax dollars, think again. People die as a result of these corporate practices. American nursing-home advocate Ila Swan, testifying before the Senate Committee on Aging, stated: "I am still aghast at collecting 26,000 death certificates of nursing-home residents, showing the causes of death from starvation, dehydration, fecal impactions, bedsores and urinary tract infections."

Are all for-profit contractors providing public services engaged in fraud? Of course not. But you don't need to

commit outright fraud to rip off the public. If the private-sector trashing of medicare in the U.S. doesn't convince you to keep these vultures away from your public services then we can turn to our own backyard and look at what P3s have to offer public education.

In 1994, Nova Scotia committed itself to the most extensive experiment in P3 schools anywhere in Canada. Called "leaseback" arrangements, they are common in the U.S. The government leases the schools from a contractor and then agrees to buy the school (or hospital, or prison) outright at the end of 20 to 35 years. In Nova Scotia, the government contracted the construction of 30 P3 schools to a local consortium. Within six years, there were so many scandals and improprieties the whole grand experiment was causing a public uproar. The government cancelled all future P3 construction. But by then, the 30 schools -- with contracts as long as 35 years -- were slated to cost the public \$32 million more than if they had been built in the traditional manner.

It isn't just the money. It turned out that corporations, not local preferences, determined where new schools would be built, usually on land already owned by a member of the consortium. And the consortium preferred to locate in upper-income subdivisions with lower land costs, rather than in urban cores where the schools were actually needed.

You might think that if you were leasing the school you wouldn't have to worry about repairs. Think again. The taxpayer is responsible for the operating costs, capital improvements and repairs, and technology upgrading. The private owners were assured of receiving 89 per cent of their costs through leasing charges, and will still own the building and the land when the lease is up. Then the government has to buy the school whether or not it is still needed.

Not sweet enough for you? Still need a little incentivization? Why not? The contract exempts the owners and the builders from any legal or financial liability for shoddy school construction, or even faulty wiring and plumbing. This was an enormous incentive for using cheap labour and low-quality materials. And, of course, since the corporation owns the schools, it has the right to use them and all their technology for profitable activities after hours, on weekends and during the summer.

The C2P3 conference hosts didn't mention the Nova Scotia fiasco, which is a little strange given that it presented the first Halifax P3 school with its first prize in the "infrastructure" category in 1998. Students and staff in that school were still drinking bottled water in 2001, 12 months after arsenic was found in the school's well water. A water-filtration system had been installed, but it wasn't being used because the school board and the school's corporate owner couldn't agree on who was responsible for providing students with clean water.

I suppose we should give C2P3 a break. It's hard to find a corporation today that isn't fiddling the books and/or stiffing the public. Case in point -- Accenture (formerly Andersen Consulting of Enron infamy) is right there at the top of the list of "sponsor members" in C2P3's welcoming letter to conference delegates. Among other things, Accenture is known in Ontario for its outrageous cost overruns (from \$70 million to \$180 million) in its welfare privatization scheme. They paid some project managers \$575 an hour.

If Canadians actually buy the argument about P3s providing better and cheaper public services it will only be after a prolonged period of intensive stupidification. But governments are already there. It doesn't seem to matter how many P3 disasters -- trains in Britain, water in Latin America, prisons and schools in the U.S. -- rain down on an unsuspecting public. It's a matter of faith, not reason.

Accenture has just been handed several divisions of B.C. Hydro to run. Pray for the B.C. taxpayer.