



**MEDICARE WORKS! KEEP IT PUBLIC. KEEP IT FAIR.**

## Public private partnerships (P3s)

*Private gain, public cost*

### What are Public Private Partnerships (P3s)?

Until recently, the private sector played a certain role in the building of public health care infrastructure (such as hospitals) – they built infrastructure but didn't own it. Governments financed the projects and the services remained within the public sector. But P3s are very different – they are privatization of health care by stealth.

In a typical P3 deal, a consortium of for-profit corporations wins a contract to finance, design, build, own and operate a hospital and deliver health care services. The contract commits the government to lease the hospital and services from the corporate consortium over a period of 30 to 60 years. When the lease is finished, the consortium typically still owns the hospital and services.

Governments tend to like the P3 approach because it's a way to keep the costs of new infrastructure off their balance sheets, creating the impression that they're building new hospitals while balancing the budget. Of course, corporations favour P3 deals because they offer a guaranteed long-term, stable source of profits with little accountability or risk. In other words, private gain, public cost.

### Six reasons why P3s are a bad idea

#### 1. They cost us more.

- In the long run, it's always more expensive to lease assets like hospitals than to purchase them up front.
- Shareholders in P3 projects expect a profit and this will be worked into the lease payments made by governments – this means public money directly subsidizes private profits.
- The private sector always pays a higher interest rate on borrowed money than the public sector does – this is why private financing P3 projects is always more costly.
- The private sector has to put down equity in order to borrow large sums of money – the public sector doesn't have to do this.
- Procurement costs are a lot higher with P3s because of the added layers of legal, financial and administrative bureaucracy needed to negotiate and administer the contracts.
- Corporations involved in a P3 are obliged to meet the "letter" of the P3 contract and nothing more, leaving the government on the hook for all unanticipated expenses, costly overruns or mistakes. And if the P3 project collapses, the government is left holding the bag.



## 2. Public sector debt is not avoided.

Lease payments don't help governments avoid debt; they only help governments defer that debt over the longer term. In this way, P3s are an inter-generational shell game. Future generations will inherit expensive lease agreements instead of publicly-owned hospitals. The P3 legacy to our children and grandchildren will be nothing but endless rental charges.

## 3. We get a lot less.

There's no uncontested evidence that P3s provide higher quality assets and services than the public sector. But there is *ample* evidence that the pressures of having to generate higher shareholder profits leads to choices that compromise the quality of service and patient safety. Whenever a service is being run for private profit, the overwhelming temptation is to cut corners and dilute the service to increase the profit.

## 4. There's less accountability and transparency.

P3s combine little public accountability with a lack of transparency due to the secrecy of their contracts. The corporations involved are only accountable to their shareholders. There's no requirement to release any information at all – including financial, operational, service quality, fraud, or contract violations. It's next to impossible for taxpayers to know how their money is being spent in a P3 project, to judge whether it has been invested wisely, and to hold the government and corporations involved to account.

## 5. Workers are abandoned.

When public assets and services are transferred into corporate hands, revenues and profits are often gained at the expense of workers. Several of the global corporate players in P3s have well-earned reputations for their anti-union practices, job cuts, bare minimum wages and benefits, and poor working conditions.

## 6. Canadian values are at risk.

Hospitals and health care services are not simply commodities with a commercial value and potential for profit. Their purpose is to enhance the public good. They are a hallmark of Canadian society that fundamentally values a collective responsibility for the well-being of people and communities. P3s cannot and do not support this kind of Canada.

## 7 ways to make our public system better

- **Recruit and retain more health care professionals in the public system.** Doctors should be banned from working both systems – this leads to longer wait times in the public system.
- **Fix wait time problems *within* the public system.** Manage wait lists better. Boost capacity by strengthening services in existing hospitals and building more innovative *public* hospitals and clinics.
- **Extend Medicare to include prescription drugs.** This would deliver savings to provincial governments and deliver safe and cost-effective drug therapies to more Canadians.
- **Stop contracting out hospital support services.** Keeping them public is key to healthier patients and cleaner facilities.
- **Improve the overall structure of health care delivery.** Let's reform front-line health care, deliver more public homecare, and create more public community health and long-term care facilities.
- **Keep people healthy in the first place.** Reduce poverty, poor nutrition and other “social determinants” of ill-health.
- **Enforce the Canada Health Act and stop two-tier health care.** Build on the successes of public health insurance programs and not-for-profit delivery. Two-tier care takes money away from patients and turns it into profits.

Produced by the National Union of Public and General Employees (NUPGE).



For more information please visit [medicare.ca](http://medicare.ca)