



Winnipeg Labour Council / Manitoba Federation of Labour

Brief to the Standing Committee on Human Resources

On Bill 34

The Public-Private Partnerships Transparency and Accountability Act

Monday June 11, 2012

Good Evening,

I'm David Sauer, President of the Winnipeg Labour Council and a Vice-President of the Manitoba Federation of Labour.

It gives me great pleasure to add the voices of the Winnipeg Labour Council and the Manitoba Federation of Labour to the chorus of support coming from Manitoba's working families and citizens generally for this Bill. It is a Bill that opens a window into a process that has been shrouded in secrecy and hidden agendas for decades – a process that has been dubbed Public-Private-Partnerships, or P3s.

Recent elections in Canada have had the theme that we need more transparency in Government – citizens have a right to know what their governments are doing with their power, what they're doing with public funds, who is benefiting from policy decisions and they need to be assured that all of these things will result in a better Canada.

This is what Bill 34 does - it requires governments in Manitoba to make their decisions under the public's scrutiny so that everyone knows the issues involved and how a proposal that they will be paying for will benefit the public good. This is a truly historic moment in Manitoba's history. When Bill 34 becomes law, ordinary Manitobans will finally have a place at the table when important financial decisions are made. Our citizens, if the law is obeyed in letter and spirit, will finally be able to make informed decisions as to whether or not government is governing in their best interests and not someone else's best interest.

Greater transparency and a better informed voter - two great concepts that all political parties and their politicians should support.

So, imagine my surprise when I hear some politicians attack Bill 34 and its provisions. Why would some politicians and members of the business community be speaking out against transparency and a better informed citizenry? Why are those things wrong? What is it about the decision making process that currently leads to Public-Private-Partnerships that can't exist in the light of day? What is it about the idea of transparency, honesty and solid information that has resulted in such a strong backlash against Bill 34?

Just exactly what is it about how things are done today that must be hidden, covered up and concealed from the very people that will have to pick up the tab when the deal is cut, signed and delivered?

Great secrecy and backroom dealing may well be business as usual around the corporate board room table, but the public purse and the formulation of public policy that is based on fairness and justice is not the same thing as two companies cutting a deal. When politicians spend huge amounts of their citizen's money, there is no place for secrecy and backroom dealing. The citizens of Manitoba need to be able to evaluate their government's actions based on full and accurate information. They need to know what all the options are. They need to be able to form a judgment on whether or not what is being proposed will benefit them and their communities. They need to know that their best interest is the single greatest consideration in the decision making

process. This is so, even when it means a process that is a bit longer to get through with more costs attached to it. That is the reality of transparency and an informed population. That is the cost of doing things democratically versus doing things expediently, behind closed doors.

It is no secret that the citizens of Manitoba who make up our unions have had serious reservations about Public-Private-Partnerships for many years about the lack of transparency and the information that is currently available to the general public when it comes to P3s. We have come to have these reservations based on our experiences with them across Canada.

As you know, P3s are arrangements where a government enters into a partnership with a private sector company or consortium in order to build capital projects such as bridges, buildings or highways. Or it could be making a hospital a reality, which is then operated by the private sector – in other words, the privatization of health care.

Many buy into the false promise of cheaper construction costs and cheaper operating costs.

What's wrong with that? Everything.

The most important issue is democratic control. Under the classic P3 model, the public winds up with no decision making powers or control of the project, they have little or no access to information about the project or service, because, after all, it's a privately owned company and its "none of your business". There is no political accountability for how this project is run on behalf of citizens. This is no way to deliver public services at any level – it is exactly the opposite of the democratic process that Canadians have worked so hard to develop because it denies citizens the opportunity to speak up on things they don't agree with.

Another high profile issue is cost. Proponents of P3s claim the private sector does a better job on these projects, for less money and lower operating costs. Again, wrong.

The private sector does not have access to the low interest rates for financing its projects that government does. That higher borrowing cost is an important factor in the overall cost of the project – money that sooner or later is recovered from the taxpayer, either in user fees (such as highway tolls) or in on-going payments from the public treasury with any unexpected cost increases automatically being billed to the public.

On the other hand, if the P3 agreement requires the government to use its access to an advantageous borrowing rate to finance the project, then why do we need a P3? Why can't we raise the project budget ourselves, retain full democratic control of it and hire private sector contractors to build it?

Ongoing operating costs for a private project include a substantial profit margin from public funds, because that is why private companies exist – to make money for owners or shareholders. This is money that can't be used for other public investments policies that will benefit the people of Manitoba.

Unfortunately, this also means that, often, citizens pay twice for P3 project. Once through their taxes being used for the government's participation in the project, and again through user fees, management fees and whatever else is loaded onto their plate.

It is the responsibility of government to act in the best interests of its citizens when it comes to the provision of important services such as infrastructure, quality education and health care, and the sound management of public assets. P3s have become an escape hatch for governments that are not willing to do the job themselves. They move the responsibility for action into the private sector and out of the public's control.

The only way that the taxpayers of Manitoba can be assured that these things are being delivered in the best way possible and at a reasonable cost, is to keep them under public control. Too often, P3s cost more in the long run and undermine democratic control of our public services and our infrastructure. Relying on Freedom of Information requests have proved to be pointless. These are some of the requests that I have filed – none of them resulted in receiving the information that should have been on the public record from the outset. In this context, it is difficult to find examples of P3 projects in Canada that have actually lived up to their advance billing, as little as that may have been. That may well be a question this Committee should be putting to witnesses who appear before you to argue against Bill 34 and to keep the current P3 process.

It is against this backdrop that we offer the following advice: declare a moratorium on P3s, at least until there are concrete examples of them working available for public review.

After that review, if partnerships are found to be a viable option at a particular moment in time, then the only way citizens can be assured that their interests are paramount is through being fully informed by having policy transparency and full disclosure.

Making sure this happens is what Bill 34 is all about.

Bill 34 is the right vehicle for the right purpose.

But, even a sound Bill can often be improved upon. Here are three small amendments we would suggest:

- We believe the threshold for projects is too high at \$20 million, and it should be reduced to a lower threshold, such as \$10 million. This will bring a larger range of important public activity under the provisions of Bill 34.
- We think the ongoing reporting on results under section 8 (b) should happen annually rather than every 5 years
- We would like to see a requirement that the profits or surpluses to be retained by the private entity is reported, so that the public knows where their money is going.

Thank you for listening to this presentation and I urge you to make these amendments and support Bill 34 when it returns to the House.