

**Ontario Health Coalition**  
**Analysis of Royal Ottawa Hospital**  
**Financial Data Available to the Public**  
*November 2, 2006*

**Basic Cost Figures Contained in the Publicly Available Documents at the Royal Ottawa Hospital:**

Total cost of ROH P3 - \$146 million

\$132 million is senior debt, \$15 million is equity

(90% of \$146 million is borrowed, 10% is provided by the proponent)

Note: The figure used in government and hospital publicity is \$132 million. Based on our review of the documents provided, this appears to be the amount of money that the project proponent has borrowed. The actual total project cost is \$146 million.

Interest Rate is 6.51%

**Comparison with Public Financing Costs and Earlier Projected Costs**

1) We do not know how the hospital that is actually being built compares to the hospital that was projected to be worth \$100 million.

2) The following is the analysis of the comparative costs of building the hospital through public financing versus building the hospital through privatized P3 financing.

The interest rate on borrowing for the private consortia is 6.51%. According to Ontario Ministry of Finance figures, the borrowing rate for government as at September 30, 2006 would have been 4%. Therefore the borrowing rate for the privatized P3 is 250 basis points higher than if the hospital were financed publicly.

At a 12% return on equity and given the 250 basis point premium:

- Over the life of the project, for the capital, including interest, based the figures that are available, the hospital is going to cost \$352 million under the privatized P3.
- Over the life of the project, for the capital, including interest, the hospital cost would be \$264 million if the financing was provided in the traditional public manner by the government.
- This means that this hospital is 41% more expensive under the P3 financing method.

**Other Costs of Note:**

\$8.1 million are transaction costs - costs for lawyers and consultants to put the bid together - including only the costs for the for-profit consortium and the portion of the hospital costs covered in the deal. This does not include government costs or additional costs to the hospital. This is a significant amount and means that 5.5% of the total cost of the project goes to the dealmakers including consultants and lawyers just for putting together the complex documentation entailed by doing the project through the P3 method.

**Ontario Health Coalition**  
**15 Gervais Drive, Suite 305**  
**Toronto, Ontario M3C 1Y8**  
tel: 416-441-2502  
fax: 416-441-4073  
email: [ohc@sympatico.ca](mailto:ohc@sympatico.ca)  
[www.ontariohealthcoalition.ca](http://www.ontariohealthcoalition.ca)