

May 9, 2007
For Immediate Release

Attn: Assignment Editor

Secret Documents Released Through Court Challenge Reveal Extraordinary Costs in Privatized P3 Hospital

Toronto – After almost four years of fighting a private sector consortium and the government, a group of unions and the Ontario Health Coalition have won a court order forcing the disclosure of the financial arrangements and other documents pertaining to the first privatized P3 hospital in Ontario at Brampton's William Osler Health Centre. The newly released documents reveal the extraordinary costs and warnings received by the government months before it signed the deal.

The court challenge to the privatized P3 hospitals was initiated by the Ontario Council of Hospital Unions/CUPE, the Ontario Public Service Employees Union, Service Employees' International Union local 1.0n, and the Ontario Health Coalition. The group commissioned Lewis Auerbach, a former Director with the Office of the Auditor General of Canada, to review some of the documents that were released.

"The decision process and the documents that I have reviewed have only increased my concern that the P3 arrangement for Brampton's hospital may be much poorer value for money than a comparable project done in the traditional public non-profit manner," Mr Auerbach concluded. "My calculation, which is based on the thorough, and originally confidential, review by Deloitte and Touche commissioned by the Province, of the public sector price comparator, is that the hospital overestimated it by at least \$300 and perhaps \$400 million. If this is the case, then the successful bid, instead of being \$170 million less than the public sector comparator, should have been around \$130 million more in current dollars. This is plausible, considering that the bidder anticipates paying \$430 million in extra interest costs, management fees, and dividends over the term of the project that would not be paid by a publicly operated and financed hospital."

Mr. Auerbach added, "So far, the Brampton P3 has had cost increases, space decreases, flexibility decreases – and all of this with little transparency in the various early stages of the project. Indeed the Brampton P3 hospital may not only cost more, it may also end up providing a lower level of service, a risk that will increase in the latter stages of this 25 year project."

"In our view, the inevitable conclusion that must be drawn from assessing the full details of the Brampton P3 is that it represents a serious betrayal of the Ministry's obligation to manage the public purse, and to ensure that hospital services are provided in an efficient, transparent and accountable manner," stated Steven Shrybman, partner in the law firm Sack, Goldblatt and Mitchell. "Not only are the costs of the P3 much higher than a public sector equivalent, but the structure of the scheme compromises the ability of the hospital board to meet the needs of patients where these conflict with the interests of private investors. This in turn is likely to compromise the Board's ability to ensure that hospital services are allocated in a manner that is consistent with the requirements of the *Canada Health Act*: ie. according to need, not ability to pay."

"The information revealed through this process should serve as a warning to all communities in which long-term privatized P3 hospitals are proposed. We are calling on the McGuinty government to impose an immediate moratorium on all further long-term P3 hospital projects until the provincial auditor has a chance to review this and other relevant documentation," stated Natalie Mehra, director of the Ontario Health Coalition. "The government must explain why they signed the Brampton P3 hospital deal when they had, for 13 months prior to financial close, an independent consultant's report that implied that its cost could be up to \$300 million more expensive than a public sector comparator and that more data was needed to examine some of the questionable assumptions. The government must now disclose the remaining secret portions of all the P3 hospital deals it has signed, including the details of assessments of the successful bids with public sector comparators and value for money benchmarks."

For more information: Lewis Auerbach and Steven Shrybman 613-858-6842; Natalie Mehra 416-230-6402; Stella Yeadon (OCHU/CUPE) 416-578-8774; David Cox OPSEU (français) 416-788-9197; Barry Smith SEIU 416-528-9116.

