

Ontario Health Coalition

15 Gervais Drive, Suite 305, Toronto, Ontario M3C 1Y8

tel: 416-441-2502 fax: 416-441-4073 email: ohc@sympatico.ca www.ontariohealthcoalition.ca

Attn: Assignment Editor
November 2, 2006

For Immediate Release

McGuinty Government Fudging Costs of Royal Ottawa Hospital P3: Hospital dramatically more expensive due to privatization

Ottawa – The Ontario Health Coalition charged the McGuinty government with fudging the numbers during its grand opening of the privatized P3 hospital in Ottawa this week. Hugh Mackenzie, an independent economist, reports that the new Royal Ottawa Hospital will cost \$88 million more over the life of the project under the privatized financing arrangement than it would have been had the hospital been built through the traditional public method.

“According to the documents provided, the Royal Ottawa Hospital is 41% more expensive than it needed to be due to the McGuinty government’s choice to build the hospital through private for-profit companies,” stated Hugh Mackenzie, economist with Mackenzie and Associates. “My review of the figures shows that the interest rate of the private companies is 250 basis points higher than if the province funded the hospital itself and built it using the traditional public procurement method. In addition, a significant cost of \$8.1 million has gone to consultants and lawyers just to draft up the P3 documentation. This means that millions will be siphoned out of the provincial budget that could have gone to doctors, nurses, hospital services and beds. These findings add to the body of world-wide evidence that the economics of the privatized P3 program simply do not make sense and will place unnecessary demands on scarce healthcare dollars, reducing public care to pay the higher costs of profit-seeking companies.”

“The issue here is not whether or not Ottawa patients would get a new hospital, since we will pay for and get a new hospital regardless of whether it is publicly or privately financed. The issue is that the new hospital costs dramatically more than necessary because of privatization and these costs will impact the available money for healthcare services for years to come,” noted Dora Jeffries, Ontario Health Coalition co chair.

“We were told repeatedly by government and hospital officials that the new hospital would cost \$100 million. By the end of the deal with the for-profit companies the hospital’s own documents say that the cost of financing the hospital is \$146 million. While the McGuinty government says that costs have increased over the procurement of public projects, it purposefully neglects to admit that - using the same time periods and same criteria - costs have increased in every privatized P3 project it has signed. The ROH costs have increased by \$46 million on a \$100 million project. In Brampton, the costs increased from \$350 million to an astounding \$550 million and the hospital size has shrunk. In both cases the negotiations for the deals cost tens of millions in unnecessary lawyers and consultants and took many months longer than projected,” stated Marlene Rivier, Ottawa Health Coalition co chair. “McGuinty’s claims that privatized P3s are more efficient are simply untrue. Moreover, the Royal Ottawa Hospital is still not complete and has some serious design flaws and safety problems, despite the public claims of the government this week. If Premier McGuinty was being honest, he would have to admit that the Ontario experience further proves the world-wide evidence that P3s are more expensive and result in a host of unnecessary costs that take money away from health care.”

“Dalton McGuinty has purposefully misled the public and the media about the costs of its privatized P3 hospital deal at the Royal Ottawa, just as he did for the first P3 hospital in Brampton,” concluded Dora Jeffries. “Not only did the McGuinty government offend basic democratic principles by breaking its promise to stop the P3 hospitals and build them publicly, it is now compounding the offence by engaging in a disingenuous public relations campaign to cover up the true extent and costs of privatization. Every step of the way, the government has opted for secrecy over public accountability and for deceptive public relations over critical evaluation of its P3 policy. This is a betrayal of the public trust and shows an alarming disregard for government accountability.”

Backgrounders containing the cost escalation data and the economist’s review are available at www.ontariohealthcoalition.ca
For more information: Dora Jeffries 416-889-4603 cell, Marlene Rivier 613-222-8392 cell, Hugh Mackenzie 416-884-5378 cell, or Natalie Mehra 416-230-6402 cell.