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June 18, 2007

For immediate release

ATTN: Assignment Editor

North Bay Hospital cover-up tactics: Ontario government hides figures, uses dubious accounting to distort the costs of privatized P3 hospital deal

North Bay—The Ontario government's deal for a privatized, for-profit P3 hospital in North Bay relies on secrecy and dubious accounting to conceal its exorbitant costs, says a noted economist.

Economist Hugh Mackenzie, who has examined the released project agreement between the government and private investors, says, “The government has resorted to cover-up tactics to evade public scrutiny, and released a heavily blacked out version of the agreement. All financial numbers but one have been blacked out. Even so, the government admits the financing and transaction costs for the private hospital will be \$160 million more than if they had built public. That's \$160 million extra in higher interest rates, unnecessary lawyers' fees, consultants' fees, and money for middlemen. Despite acknowledging its higher cost, the government rationalizes its insistence on the P3 hospital by assigning a value of \$230 million to a dubious 'risk transfer,' without disclosing any details about this risk transfer.”

“We have fought for years for full disclosure in the public interest,” says Natalie Mehra of the Ontario Health Coalition. “But in this document the government blacked out the financial information, even after courts ordered extensive disclosure in the case of the similar privatized P3 hospital in Brampton. The government is playing games because, as with Brampton, the high costs of North Bay's privatized P3 hospital will put pressure on service provision, requiring cuts to services, healthcare staffing cuts, tax increases, and money taken away from community health services. This is an example of a powerful private lobby group that has achieved hefty profits for itself at the expense of the public interest.”

“With a provincial election coming, the people of North Bay have a chance to make the government accountable and stop further privatization of our hospitals. At risk is the long-term P3 privatization of a dozen hospitals across Ontario,” says Sheena Nesbitt, chair of the North Bay Health Coalition. “We're calling on people across the North Bay region to come out on Saturday, June 23 to sign pledges that they will vote in the coming election to keep Ontario hospitals 100% public. That means no private finance, no private ownership, no privatized services, and no staffing cuts.”

(See also attached summary of Hugh Mackenzie's key findings.)

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Summary of findings: North Bay Hospital Project Agreement

- The disclosure on the North Bay P3 hospital project is inadequate and falls far short of the disclosure ordered by the Court in the Brampton P3 project.
- Virtually all of the key financial information has been deleted.
- The Value for Money comparison of the projected costs if the hospital was to be built under a traditional publicly financed model to the costs under the privatized P3 is so limited as to be meaningless. The government's independent consultant did not assess the basis for the cost projections in either the public model or the private bid.
- The extremely limited information provided in the Value for Money summary shows that the financing and transaction costs under the privatized P3 model are significantly higher (by \$159.7 million or 38%).
- The entire financial case for the government's decision to privatize rests on a controversial cost adjustment called "risk transfer". However, no information is disclosed to allow public scrutiny or evaluation of the risk transfer, and the assumptions underlying the so called "risk transfer" model used are fatally flawed.
- This is a gargantuan contract, with a disclosed total cost of \$1.05 billion and a duration of 30 years. It is in the public interest that this agreement be subject to complete public disclosure and rigorous scrutiny of the assumptions that have been used to justify the significantly higher costs (\$159.7 million) of the private financing model.
- The limited information in this disclosure flies in the face of repeated promises by the government for "public interest", "transparency" and "appropriate public control". Moreover, the mounting evidence in Ontario and abroad is that the high costs of P3 privatization will have a damaging impact on health care budgets that will likely result in cuts to hospital and community health care services. There is nothing in the disclosed documents that provides any reassurance that this will not be the case in the North Bay P3 hospital project.