



HOSPITAL EMPLOYEES' UNION

NEWSLETTER

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CUPE news: Major B.C. P3 deal falls apart

The British Columbia government will borrow to pay for a \$2.5 billion bridge expansion itself, after shaky P3 financing collapsed last week.

The privatized financing for the Port Mann Bridge fell apart last Friday – just weeks after the provincial government bailed the project out, guaranteeing \$1.15 billion of the cash the private sector was trying to raise.

The global credit crunch has hit the project's private-sector financier, Australian investment bank Macquarie Group, hard. The bank has been struggling with major financial problems in recent weeks.

The province's minister of transportation and infrastructure Kevin Falcon says, "a traditionally financed arrangement is the better way to proceed at the current time." The private sector will be involved in designing and building the bridge, which will be publicly owned and operated.

The development is a blow to the government and Partnerships B.C., the provincial agency promoting P3s. However, Partnerships B.C. head Larry Blain is still touting P3s for other infrastructure development.

In Quebec, the province's health minister is worried P3 financing is on the rocks for two Montreal megahospitals. One consortium bidding on the projects, Partenariat CUSM, lost British financier John Laing Investments last November. The other group of corporations bidding, Accès Santé CHUM, includes the troubled Australian infrastructure corporation Babcock & Brown.

The developments are further evidence that public financing, operation and delivery works best for services and infrastructure.

Even Blain has admitted that public borrowing to pay for the bridge will save \$200 million over the privatized plan.

One of Canada's first P3 projects, the Confederation Bridge, was privately financed. In 1995, the Auditor General of Canada concluded that private borrowing cost the public \$45 million more than if the government had raised the money itself.

Now, the man who helped arrange the Confederation Bridge's financing is head of PPP Canada Inc, the federal agency in charge of privatization. In November, a PPP Canada Inc. representative said the crown corporation is targeting municipalities for its P3 pitch.

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