



Background

Highlights of Parks' review of the Abbotsford Hospital and Cancer Centre Request for Proposals

Failure to conduct appropriate value-for-money assessments or disclose how much risk the private partner will assume could seriously undermine the case for a public-private partnership (P3) solution for the Abbotsford Hospital and Cancer Centre (AHCC), concludes forensic auditor Ron Parks in his second report on the project commissioned by the Hospital Employees' Union.

Among Parks' findings are:

- project costs have skyrocketed since Parks' initial evaluation in May 2002 due to significant changes in facility scope and financing. Construction costs have risen from \$210 million to \$286 million and annual lease payments to the winning private consortium have skyrocketed from \$20 million a year to at least \$39.7 million a year in each year of the 30-year deal;
- despite ballooning costs, no further assessment of value for money has been performed to reevaluate the decision to proceed as a P3 project. This contradicts the requirement that P3 projects demonstrate value for money to the taxpayer;
- government payments to Project Co. are \$393 million above the expenses and debt servicing costs of the private consortium with no explanation as to why;
- how much risk the successful bidder will assume from the public sector and what value can be placed on the transferred risks are unknown;
- financing risk and ownership risk are likely to remain with the public sector, because:
 - a) the initial contribution of \$71 million of public money from the Fraser Valley Regional Hospital District, and
 - b) the private consortium will have nothing other than government guarantees to provide as collateral because government will own the asset;
- There is little assurance that the public interest will be protected or that all stakeholders – including health care unions – will be involved in the process, a requirement for P3 projects; and
- The thirty-year term of the project's alternate service delivery contracts for the private partner could result in reduced competitiveness in the long run.

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FRED MUZIN, President • CHRIS ALLNUTT, Secretary-Business Manager • MARY LaPLANTE, Financial Secretary
5000 North Fraser Way, Burnaby, B.C. V5J 5M3 • Tel: (604) 438-5000 • Fax: (604) 739-1510 • Web Site: www.heu.org

The B.C. Health Services Division of the Canadian Union of Public Employees

