



News Release

THE HOSPITAL EMPLOYEES' UNION

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New 'value for money' assessment warranted as costs climb, significant changes made to Abbotsford P3 hospital project – Parks' RFP review

Total project cost up 94 per cent to \$1.4 billion, unclear risk transfer, and no competition mean a public hospital the best deal, says HEU

Respected auditor Ron Parks questions the value for money and the high potential risk burden for the public sector in his review of the Abbotsford Hospital and Cancer Centre Request for Proposals (RFP) released today by the Hospital Employees' Union.

Parks' report concludes that the B.C. Liberal government's controversial hospital project – a test case for public-private partnerships (P3s) in health care – has so far failed to demonstrate value for money from the taxpayer's perspective.

In his report, Parks' notes that "At this point it is not clear what risks Project Co. will assume nor what value can be placed on such risks."

The total project cost estimate has risen 94 per cent to \$1.4 billion – up from \$720 million – over the 33 years of the contract. Construction figures have increased from \$210 million to \$286 million; annual lease payments to the private consortium have increased from \$20 million a year to \$39.7 million a year for 30 years. And there is an unexplained difference of \$393 million between the \$1.4 billion the government will pay out and the private consortium's \$1 billion in expenses and debt servicing.

"We expect, given the ownership of the assets and the fact that almost all revenue will come from government, that [the] government will have to provide financing guarantees with respect to the capital borrowed for the project," says Parks. "Accordingly, there will be no opportunity for transfer of financing risk to the private sector."

HEU secretary-business manager Chris Allnutt says that ballooning costs, undefined value for money and questionable risk transfer are all good reasons to cancel the government's P3 experiment but there's more.

"In December 2003, there were four short-listed bidders. Three have voluntarily dropped out. One bidder – Access Health Abbotsford – remains. One bidder means no competition and frankly, demonstrates that there's no real interest from the private sector," he says.

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“The government should stop wasting time and money, scrap this hospital P3 proposal and build a public hospital now,” says Allnutt.

Parks’ report also finds:

- there is little assurance that the public interest will be protected;
- there is no assurance that all stakeholders – including health unions – will be involved in the process, a requirement identified in P3 literature reviewed;
- appointees to the Proposal Evaluation Committee “will not be public in order to avoid inappropriate influence”; and
- the 30-year term of the project’s alternate service delivery contracts could result in reduced competitiveness in the long run.

A summary of the Parks report’s findings is contained in the attached Backgrounder.

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