

FIVE REASONS TO SAY ‘NO ‘TO PRIVATE SEWAGE TREATMENT

What is privatization? In B.C. privatization is happening through public-private partnerships or P3s. Traditionally, government borrows money for things like hospitals, bridges and sewage treatment and uses that money to pay the private sector to design and build the projects. Once built, the facility or infrastructure is operated and maintained by government on behalf of the public. In P3 projects government typically enters into multi-decade contracts with private corporations to design, build, finance and operate facilities. The public always technically retains ownership, but the management and operation are controlled by private corporations who are paid by taxpayers, through multi-decade contracts, to deliver what were public services and manage what were public facilities.

1. It's more expensive

B.C.'s most respected forensic accountant, Ron Parks, along with his colleague Rosanne Terhart, reviewed four major public-private partnership deals in British Columbia and found that public private partnerships (P3s) are costly for taxpayers. They also found a consistent pro-privatization bias in the way that the B.C. government (through Partnerships BC) compares costs when assessing major projects.

The latest analysis of how British Columbia deals with P3s also raises many questions about the cost and value of privatization. Marvin Shaffer, a B.C. based economist, finds that Partnerships BC's methodology is seriously flawed, including the fact that it ignores the lower cost of public financing and the fact that substantial risk can be transferred in traditional public procurement. Shaffer was also critical of the fact that the higher cost of projects is pushed on to future generations.

2. We lose public control and accountability

Residents should have a say about how sewage treatment is financed, operated and managed and that local priorities shape operations. Privatization works against this. Corporations make decisions that will return profits to shareholders, whereas governments' role is to make decisions in the best interest of the public. Corporate shareholders and boards of directors are out of the reach of voters and so are not accountable in the same way as local government officials.

Private sewage treatment also means that financial and operational practices are hidden from the public. Residents have less access to information regarding the environmental and economic actions of corporations in their communities. It also means that residents cannot accurately assess the true costs of privatization. In their review, Parks and Terhart, noted, "critical information and documentation in support of the Value for Money reports

was for the most part denied in response to freedom of information requests. In our view this suggests a general lack of transparency and public accountability.”

3. Private financing is risky and unstable

Especially in the current economy, private financing is risky. And in P3 deals, that risk comes at a premium. This means the more unstable private markets become, the more expensive it is for taxpayers to enter into long-term privatization projects with corporations. A December 2008 global review by PricewaterhouseCoopers found that the credit crunch has led to a sharp increase in private-sector borrowing costs for infrastructure projects. As a result, the rate at which private companies borrow is 1.5 to 2 per cent above the lowest rates that governments can obtain.

All of these costs and more get factored into P3 contracts and result in the public paying massive risk premiums to private corporations.

4. Taxpayers can get left on the hook

Advocates of private sewage treatment in the Capital Regional District argue that a public-private partnership will transfer risk to the private sector. But we know that, even when the taxpayers pay large risk premiums in P3 contracts, private corporations faced with difficult times go bankrupt or pull out of contracts with local governments. When this happens, local governments must scramble to maintain public services and taxpayer are left to pay the higher costs of private sector operation.

In February 2009, the \$3.3 billion Port Mann Bridge project collapsed as a P3 after the B.C. government was unable to reach a funding deal with the private consortium. Taxpayers are now on the hook for this project, with no notice and little ability to make other arrangements.

5. Local businesses lose out to multinationals

Public-private partnerships are designed for big multinational corporations who can secure the financing for designing and building public infrastructure like hospitals, highways and sewage treatment. This means that local design and construction firms have little or no access to local government projects. In a scathing article on British Columbia’s increasing use of P3s, longtime Victoria contractor John Knappett (Knappett Projects Inc.), reveals, “Multinational construction companies that never really could compete against the highly competitive and efficient regional firms are now getting a huge slice of provincial spending and local firms that have contributed for years to local economies are being dealt out.” (You can read the whole article at: keepwaterpublic.ca)

Contracting to multinational corporations siphons off money from the local economy removing resources that would otherwise have been reinvested in local firms and provided good jobs for local residents. This undermines the community’s economic health and undermines what should be tangible local economic benefits of public infrastructure investment. It also means that decisions that affect the local community and ecology are made thousands of miles away by people more concerned about profit than local priorities.