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HOW TO ANALYZE PUBLIC PRIVATE PARTNERSHIPS (P3s)

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P3 schemes must be critically analyzed to see how they measure up in terms of the following:

- Quality of the Service
- Accountability to the public
- Risks
- Cost to the public

When answering these concerns, it is important to outline both the problems that are evident in a specific P3 plan and the potential problems that the plan doesn't address. Added uncertainties about quality, risk, accountability and cost are legitimate reasons for the public sector to say no to P3s. The following questions will help uncover the problems and uncertainties around P3s.

Quality Considerations

- **What are the performance track records of the private corporations?**

  Information about quality problems on a corporation's other P3 projects can help build the case against a P3 project. Also, look for problems with their environmental, labour relations, and human rights practices.

- **Does the plan include a reduction in the number of employees?**

  P3 plans that result in a reduction of employees have obvious negative consequences on the quality and level of service provided.

- **Will the plan honour existing collective agreements?**

  Plans that do not honour existing collective agreements open the door to lower wages and job reductions which in turn affect the quality of the service. Also, what will happen when the existing collective agreement expires? What is the record of the private corporation in bargaining with unions?

- **Does the plan include low wage rates?**

  If the proposed wage rates are less than the "going" rate, the employer will have difficulty attracting and maintaining qualified personnel. Additionally, any P3 that relies on reducing wages and benefits while maintaining some or all of the same staff will suffer serious morale problems which also translates into poorer service.

- **Does the private partner have specialized expertise, equipment or technology that the public employer does not have?**

  If not, a strong case could be made that the public employer already possesses the technical capability to provide a high quality service without having to pay a premium to a private partner for a technology transfer. Also, technology and equipment can be purchased without entering into a P3.

- **Is it likely that the plan will result in a reduction in the level of service?**

  There are case studies of past P3 schemes that have led to a reduction in service. They are available on the CUPE web site: www.cupe.ca.

- **Is accessibility to the service threatened by the P3 plan?**

  If the plan includes the introduction of user fees or results in a reduction of service, lack of access to the service may result.

Accountability

- **Has there been sufficient public consultation into the desirability of the P3 plan?**

  P3 plans are often pushed through with very little public consultation. If so, there is a good chance that the P3 plan has not adequately taken into account community needs and possible problems with the project. It is also important to argue for more public consultation because the more the public knows about a P3 scheme, the more likely it is to oppose it.

- **Is the P3 agreement completely accessible to the public?**

  P3s are often shrouded in secrecy. It is important that the public have a right to know about the details of these projects so that they can assess the value of the proposal. It's also important, for the public to know what their politicians are agreeing to, so that they may accurately evaluate the performance of their elected officials.

- **Will the ongoing operations of the P3 be accountable to the public?**

  P3 plans that do not allow for ongoing consultation with the community have the potential for poor performance and other problems.

- **Is it a long-term contract?**

  The longer the contract, the more difficult it is for the public sector to get out of a bad deal. If it is long-term, does the contract have "off-ramps" exit clauses that allow the contract to be stopped early.

Cost

- **What is the track record of the private corporation on completing projects within budget?**

  It is important to do corporate research on all of the prospective bidders. Compiling information about financial and cost problems with their other P3 projects can be useful in building the case against a P3 project.

- **Can the public employer finance a given project at a lower rate of interest than a private corporation?**

  If yes, (and this is almost always the case) then the total cost of the project is generally far cheaper if the public partner does the financing. In other words, why would you lease when you can buy at a lower rate of interest?

- **Does the corporation have other similar projects and claim "economies of scale"?**

  If the partner does not have a lot of similar contracts, it cannot claim that it has an advantage due to economies of scale. If it does not have an economy of scale advantage then the public sector can usually purchase supplies at a lower price than the private partner.

- **Will user fees be introduced or increased by the P3 plan?**

  If user fees are introduced or increased through the P3, it will affect accessibility to the service. These fees should be highlighted as a hidden cost when looking at the total costs of the project.

Risk

- **Are there increased environmental or public health risks arising from private control of the project?**

  If the P3 plan includes reduced monitoring, poor quality construction or less maintenance, then a case may be made that there are increased environmental risks associated with the P3 project. Additionally, the plan should also be analyzed to see whether the public sector is likely to get stuck with the bill if there is an environmental mishap.

- **Does the P3 plan assess the financial risk that the private partner is assuming?**

  Financial risk on projects refers to factors such as the potential for construction cost overruns. If the P3 plan is unclear on this point, then the public sector will probably bear the financial risk.

- **Does the private partner have sufficient working capital or financial backing to handle unforeseen circumstances such as an economic downturn?**

  The recent experience of Enron and Worldcom demonstrated that all private-sector corporations are vulnerable. They are certainly less financially secure than the public sector. It is important where possible, to show that the corporation or consortium might be financially unstable.

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