



**Private profit, public loss:**

**The community impact of Alberta  
P3 schools**

**CUPE Research**

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The Alberta government is using expensive and risky public-private partnerships (P3s) to build much-needed new public schools. To date, 18 have opened, 14 more are under construction and corporations are bidding on another 12 that are in development.

The Canadian Union of Public Employees has looked into the community costs and consequences of the Alberta Conservative government's school privatization policy. The P3 model for schools is not new. Nor is it successful.

### ***Crumbling schools and the P3 "fix"***

A 1998 review of Alberta's school infrastructure found that much of it was old, crumbling or in disrepair. The report assigned a price tag of just under \$1 billion to fix the problem.<sup>i</sup> The Ralph Klein government responded by promoting public-private partnerships (P3s) for new school funding creating the Alberta School Facilities Innovation Fund with a \$10 million budget.<sup>ii</sup>

Developers in Calgary's fast-growing suburbs were provided partial funding under the program to build and maintain schools that were leased back by school boards. Terms included 20-year leases, developer-provided blackboards, computers and phones, and little or no access for after school hour community sports and activities.

The first of these schools, the Hampton's School, was built by Tirion Developments and was leased back by the Calgary Board of Education (CBE). Cost cutting measures during the construction, such as the use of substandard roofing materials, caused the roof to leak 6 months after the school opened. Within three years of the school opening the CBE had to pay more than \$100,000 in maintenance and upgrade costs on the roof.<sup>iii iv</sup>

Information about the finances and performance of these early projects was not publicized under the agreements between the province and the private developers. The details continue to be cloaked in secrecy. In communities where these schools were built parents and educators could see the problems. In 2006, when the first round of

mass built P3 schools was announced, community and social groups lined up in opposition to them. Organizations like CUPE, the Alberta Teachers Association, the Canadian Centre for Policy Alternatives and others worked to raise awareness of the significant problems faced in other jurisdictions before the contracts were finalized.

Albertans could have learned from the costly lessons in Nova Scotia. In that province, school boards operating P3 schools lost the rights to fundraising and vending machine revenues,<sup>v</sup> hourly rates for sports groups rose from \$7 an hour to \$57 an hour,<sup>vi</sup> and construction costs increased by \$32 million, money that could have been used to build 3 more schools.<sup>vii</sup> By 2000 the P3 model in Nova Scotia had failed.

Rather than listening to the oppositional voices at home and learning from experiences elsewhere, the Alberta government pushed ahead with a P3 model that guarantees profits for the private sector and leaves huge bills for future generations.<sup>viii</sup>

### ***Rising costs and lowered expectations***

In January 2007 Alberta announced 18 new kindergarten to grade 9 schools would be built as P3s, known as the Alberta Schools Alternative Procurement (ASAP) Schools.<sup>ix</sup> Critics, including CUPE, the Non Academic Staff Association at University of Alberta and the Alberta Federation of Labour, began public awareness and education campaigns about the problems with P3's. The details started to leak out and from past experiences it became clear that the P3 model was a really bad deal.

In 2006-2007 the Alberta Government posted a fiscal surplus of 8.6 billion - more than enough to finance the schools project 13 times over!<sup>x</sup> There was no financial justification to enter into more expensive P3 construction projects with 30 year operating contracts. Early estimates placed the costs of the P3 projects at 51% more than publicly-built and operated schools, based on private borrowing costs and loss of revenues to school boards.<sup>xi xii</sup> To cut costs and achieve economies of scale, the schools were all built on the same pattern, not taking local needs into consideration.

Between January and December of 2007 the budget for the P3 Schools project more than doubled from \$200 million to \$512 million, confirming the fears of project critics that the P3 model would be more costly for Albertans. A key factor was the much higher cost of privatized financing. An economic analysis of the P3 school scheme found that “for every two schools financed using the P3 model, an additional school could be built if they were all financed using conventional public sector financing.”<sup>xiii</sup> A 32-year contract to build the 18 ASAP P3 schools was awarded to a subsidiary of the international investment firm Babcock and Brown. By the time the contract was awarded, costs had risen to \$634 million - three times the original budget for the 18 schools in Calgary and Edmonton.<sup>xiv</sup> Repeated requests by opposition politicians for full transparency and public accountability were defeated in the provincial legislature.<sup>xv</sup>

Undeterred, the Alberta Conservative government announced a further 14 P3 schools in January 2008.

Communities were taken aback by restrictive rules in these new schools. The most serious complaint was that these new schools did not provide preschool or day care facilities. This was a blow to neighbourhoods in Calgary and Edmonton already facing a childcare shortage.<sup>xvi</sup>

By the spring of 2009, Babcock and Brown was bankrupt. Some work on the P3 schools had been completed, but the remainder of the contract was sold off to the other partners in the consortium. The Alberta government had no say when management of P3 schools changed hands in this way.<sup>xvii</sup>

### ***Veil of secrecy***

The cloak of secrecy around the P3 schools extended all the way to the government’s top financial watchdog. In March 2009 Alberta’s acting Auditor General Merwan Saher told the media, “the government has refused to provide financial details on the deal, even though the contract was signed almost six months ago. The government would seem to be putting forward the case that revealing the sort of detail

they have been encouraged to reveal would compromise the negotiations for the next batch of P3's." <sup>xviii</sup>

The following month, Saher released his report. Without all of the relevant information, the acting auditor general concluded the P3 savings were overstated by \$20 million. The report also concluded that not enough had been done to keep Albertans informed about the process, nor had the government backed up its claims about value for money. <sup>xix</sup>

Within months of the auditor-general's report, the second ASAP project began to fail under pressures of the global economic downturn. The project was considered too large and unwieldy, and was broken down to make it more palatable for private lenders. Dubbing the change a "refinement," all secondary schools were stripped out of the package. The four secondary schools were publicly financed and operated.

The government of Alberta plowed ahead, ignoring even business voices in opposition. Voicing a general sentiment, Vic Walls, General Manager of Border Paving in Red Deer, commented that the P3 process in Alberta was cutting out the small and medium sized companies, that revenues were leaving the province to go in to the hands of multinational corporations. <sup>xx</sup>

Meanwhile in New Brunswick, P3 schools were given another black eye by another Provincial Auditor General. The New Brunswick auditor's report showed that the province only conducted a value for money assessment after the P3 deal had been signed, that advisors hired to conduct reviews were not procured in an open and fair process, that the life cycle and maintenance costs of the project were grossly inflated, and that a traditional procurement model would have saved the province \$1.8 million dollars. <sup>xxi</sup> Alberta MLA's shrugged off the comparison indicating that the ASAP model was unique and not related to other P3 projects. <sup>xxii</sup>

After the first 18 schools opened in 2010 both the public and Catholic school boards in Edmonton said they did not want any more built as P3s. <sup>xxiii</sup> The program had

excluded building any new schools in low-income neighbourhoods. The Edmonton YMCA and the Edmonton Federation of Community Leagues protested against use restrictions that made it harder for families served by P3 schools to access space for childcare, community events and social programs. The restrictions and fees for after-hours and weekend use of schools meant significant losses for social groups, sports groups and the community as a whole.

### ***Frontline workers see the problems***

After three years of operation, CUPE members working in P3 schools have significant concerns with design and maintenance. In the P3 schools, school board employees have the same cleaning responsibilities as in regular schools but maintenance issues are the responsibility of the private contractors.

In interviews, CUPE members described this divide between contracted and in-house work and the ways that it created widespread maintenance issues, cost overruns and safety concerns. In their own words:

In P3 schools, school board staff have the same cleaning responsibilities but are not allowed to address any maintenance issues – including lights, boilers, chemical tests, filters of any kind, doors and hardware, roofs, and anything attached to the building inside/outside. This includes activities such as clock setting and replacing burnt out lights. Contractors are also responsible for anything attached to the walls. –Putting anything on a classroom wall or hanging something from a ceiling requires filling out a “penetration form” and the contractor decides if, where and whether there will be an additional charge to the school for maintenance. Even a routine task like going up to the roof to get a ball can only be done by the contractor.

Delays in contractor response to maintenance requests have, in a number of cases, resulted in the work being done by Board staff. Staff and administration frequently comment on their preference for in-house maintenance work.

These delays raise safety concerns. At one school, when gymnasium lights came loose from the ceiling, the contractor indicated they would do repairs “in a month to six weeks”. This gym was in active use by students at the school. Further, Board staff has limited access to P3 schools. This is a particular concern if the contractor is delayed in responding to an emergency alarm and Board staff is called in, they may be in violation of the terms of the contract.

In some schools, services like snow shovelling or rekeying schools have been re-assumed by Board employees after significant problems with service delivery quality or timeliness.

General maintenance is just one part of the problems indicated by CUPE members who are working in P3 schools.

The one-size-fits-all design has created significant problems in schools at some sites. Overcrowding, overheating and general lack of site planning make it difficult for children to learn, teachers to teach and administrators to manage.

In some locations the P3 school design has resulted in windows getting hot and has created a situation where very high (83 degree) indoor temperatures have been recorded. In a traditionally built school there would have been awnings or shades installed on any part of the school facing south or west.

The P3 school design was intended to include expansion by the addition of “pods”. One school was built too close to the property line to add the pods. Portables had to be used instead. In other cases, the portables are needed in addition to the pods to meet needs of communities for school space. As portables belong to the school board, not the contractor, issues related to installation and maintenance have been complicated. School board maintenance staff are responsible for wiring the portables but the contractors are responsible for connecting them to the rest of the school. There may be delays, and if there are problems school board maintenance staff are called back in to fix the contractors’ work.

The school grounds design has led to drainage problems, with water running into at least one school. The contractor fixed the problem, but charged the school to repair the damage done to the interior by the flooding.

Other design flaws included restricted access to storage rooms and storage space by the placing of utilities and utility piping.

In Edmonton, there were electrical deficiencies right from the beginning. The Board went ahead doing the work in-house as the schools had to open. In cases where contractor work fails to meet inspection, Board staff have ended up with responsibility for repairs at a cost over and above the contract. The school board pays twice for the same work.

Asked to add an outlet for a TV in one school, the contractor produced an extremely high quote that included not just the parts and work for the project, but an inflated amount to cover 30 years of future maintenance. Some of the equipment installed in P3 schools has been of lower quality (e.g. PA systems) and some items which appear on the blueprints, like ceiling or data plugs, were never installed.

As the ASAP schools become operational it has become apparent that the P3 school builds have not met the needs of school community.

### ***Repeating mistakes***

Problems with lack of accountability and loss of local control of schools continue to make headlines into 2013. Yet the Alberta Conservative government is pushing ahead with plans that will shackle future generations to contracts that don't work for the community and will cost Albertans more.

In September 2012 the Alberta government announced a third round of 12 new P3 schools in 8 communities.<sup>xxiv</sup> The NDP Education critic, David Eggen, responded swiftly by saying, "We know that the P3 system hand-cuffs school boards when they



need to make important decisions and we know they cost taxpayers more in the long run but this Conservative government has made both Albertans and school boards feel that, if they need new schools, they have no choice than to accept this bad model.”<sup>xxv</sup>

The planned P3 procurement of even more schools continues to be criticized by the very communities and people most impacted. The Conservative government under Allison Redford continues to plead empty coffers and claims P3 procurement is the only option to meet Alberta’s infrastructure deficit. Even the Wildrose Party has chimed in with an opposition statement against P3’s.<sup>xxvi</sup>

The impacts of these P3 schools are far-reaching. They are more expensive than publicly run schools, they do not meet the needs of the community and they fail to deliver a safe place of learning for all students in Alberta.

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