

Beware another P3 scam

By Murray Dobbin

May 16, 2003 - Citizens and taxpayers in the Lower Mainland are on the verge of getting fleeced through what is euphemistically called a public private partnership - a P3 - for the Richmond-Airport-Vancouver Rapid Transit line. Having seen lots of these proposals, I can say that this one is about as bad as these deals get. It amounts to little more than handing over a trainload of cash to a private company.

The RAV Rapid Transit Project Ltd wants to spend up to \$1.7 billion for a 20-kilometre line from Richmond and the Airport to Downtown Vancouver.

A private corporation would be contracted to build, finance, and operate and maintain the line, and pocket guaranteed profits for the next 35 years. This is entrepreneurship without the entrepreneur. The private company involved would take on literally no risk.

Lower mainland taxpayers pay for a whopping 88 per cent of the RAV line. To make a profit, the P3 operator must carry 100,000 passengers a day on the RAV line by 2010. But the contract would put aside a \$63 million subsidy as a backstop for the private company to cover any revenue shortfall if rider ship doesn't hit that number (nearly triple the number of commuters today). What motivation would the company have to promote increased rider ship, if it knows that TransLink will pay a subsidy even if it makes no effort?

The huge cost of the line isn't just in dollars - it's in bus service that will have to be sacrificed to pay for the RAV. Burnaby Mayor Derrick Corrigan points out that the bus service cuts implemented by TransLink during 2001 resulted in a four per cent reduction in bus service. Burnaby municipal staff calculate the annual TransLink budget shortfall resulting from the RAV project, could be four to six times as much.

The RAV project already has plans to cut existing bus services along Cambie, Oak and Main Streets, depriving thousands of Vancouver residents of access to convenient public transit.

There are huge unknown risks in this scheme and they are all TransLink's. If there are unresolvable problems in interpreting the company's responsibilities, the private company could sue in Canadian courts. They will fight to avoid responsibility because that is their fiduciary duty to their shareholders. The taxpayers' interests will come a distant second for the company.

Other jurisdictions have signed P3 contracts for transit systems and ended up holding the bag when the private operator reneged on their commitments or went bankrupt. Light rail systems in Sydney, Australia and Kuala Lumpur and the Channel tunnel Rail Link between the UK and France all saw taxpayers picking up the pieces after the contractor failed to deliver.

Even more worrisome, however, is the vulnerability governments face from international trade agreements. Transnational corporations are increasingly using NAFTA to sue governments for changes in regulations or legislation that impact their profits. These agreements provide extremely powerful tools to private contractors. Because they are treaties between nations, trade deals can effectively over-ride decisions made at the local government level.

A NAFTA panel is currently considering \$60 million suit filed by the American Waste Management Company against Mexico over a dispute about contractual obligations in the city of Acapulco. The NAFTA panel in the Metalclad case gave its own unique interpretation of the Mexican constitution to decide that a local municipality had no right to consider the wishes of local residents in making a building permit decision. Is that the situation citizens in the lower mainland want to face down the road?

Vancouver City Council should say a resounding 'No' to this P3 scheme when the Translink board considers the question. It is virtually all public money involved and the project should stay in public hands. That way, any problems that arise over the next 35 years can be dealt with by elected officials responsible to the public and not by NAFTA trade panels where neither TransLink nor the public has any say.

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