



# News Release

For Immediate Release

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## LESSONS TO BE LEARNED FROM P3 HOSPITAL PROJECT: AUDITOR GENERAL

(TORONTO) The way the government of the day chose to proceed with construction of the Brampton Civic Hospital may well have led to higher costs, Auditor General Jim McCarter says in his *2008 Annual Report*, released today.

“The costs and benefits of this public-private partnership (P3) approach were not adequately assessed before the decision was taken to proceed,” McCarter said. “Our work indicated that the all-in cost could well have been lower if the government had built the hospital itself.”

McCarter added that Infrastructure Ontario, the Crown agency now responsible for managing most government infrastructure projects, “has indicated that the issues we raised are being handled differently to ensure that, when an alternative financing approach is used, it is cost-effective.”

In a value-for-money audit that looked at how the Brampton Civic Hospital was built, the Auditor General found that the government decided in November 2001 to build a hospital and provide certain non-clinical services over 25 years using the P3 approach. Under this arrangement, private-sector companies would build and finance the hospital and provide the non-clinical services, and the government would then repay the private-sector companies through a series of payments over 25 years.

McCarter’s report found that an objective comparison of the estimated costs under the traditional method of procurement and the P3 approach was not adequately done before the government committed to the P3 approach.

Among the Auditor General’s observations:

- Two consultants’ estimates of what it would have cost for the government to build the hospital itself were significantly different—\$381 million in October 2001 and \$525 million in November 2004—but the hospital corporation did not adequately investigate why the second estimate was so much higher.
- The hospital corporation upped the estimates under the traditional approach by an additional \$67 million in anticipated cost overruns, which made the P3 approach less costly in comparison. However, the Auditor’s report “questioned why the estimates for the government design-and-build approach assumed that the risk of overruns would be so significantly greater.”

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