

THE CUSM, CHUM AND CRCHUM AS P3S FINANCIAL BLACK HOLES FOR CITIZENS



**COALITION DES CHUS
SANS PPP**

**PRIVATISATION
PPP**

NON

Philippe Couillard's government is cutting back on services all across the board, in education, health care and social services, regional

Nothing is sacred for the Liberals – not even breakfast for children who come to school on empty stomachs. All this austerity is imposed because the Liberals claim to be “responsible,” “rigorous” and “transparent”.

They have the nerve to tell us that they're doing it for future generations!

Really?

If the Liberals really intended to improve public finances, they would terminate the P3 contracts for the CHUM and the MUHC, the two super-hospitals. Costs for these contracts have already outrageously outstripped what was originally announced. Behind a wall of trade secrets, they are digging a black hole that will erode public finances for the next 30 years.

SHORT HISTORY OF A CON JOB

The Liberals had announced that, built as P3s, the new CHUM and MUHC would cost \$1.3 billion each. And according to Couillard, Charest, Jérôme-Forget and company, the P3 (public-private partnership) approach made cost overruns impossible. They also claimed that P3s ensured transparency, rigour and the protection of public funds against abuse, fraud, corruption, collusion and cost overruns.




THE DICE WERE LOADED

As early as 2009, *Le Devoir* reported that Québec's Auditor General denounced the fact that the dice were loaded from the outset to favour the P3 model:

Despite the millions spent on consulting firms, including PricewaterhouseCoopers, the PPP agency systematically distorted results by providing unrealistic hypotheses, making biased decisions and leaving out data essential to an objective assessment. This complicity of outside experts with such a dishonest client can only be explained by the lure of the profits to be made or political friendship, or both at once.¹

Despite the Auditor General's devastating assessment, the Liberals imposed the P3 approach.

¹ Sansfaçon, Jean-Robert. (2009). « Centres hospitaliers – Les dés étaient pipés », *Le Devoir*, 20 novembre, <http://www.ledevoir.com/politique/quebec/277567/centres-hospitaliers-les-des-etait-pipes>



The calls for tender were classic comedy routines, with partners merrily to-ing and fro-ing and mixing it up. The CHUM and the MUHC hired consulting firms to help negotiate the contracts. SNC-Lavalin advised the CHUM while belonging to the consortium building the MUHC. Axor advised the MUHC while being one of the partners building the CHUM.²

The similarities between the projects led one architect to comment:

Since the two projects are similar, there is a danger that a firm of professionals will make suggestions or obtain information from one project that will benefit the other.³

In other words, the firms that prepared the plans for the CHUM had a head start on obtaining the MUHC contract, and vice versa. And like magic, that's exactly what happened.

AWARDING THE CONTRACTS: A GAME OF THE LOSER... STILL WINS

There was only one bidder for the CHUM research centre, because Dalkia withdrew at the last minute.⁴

But Dalkia didn't lose everything, since the firm is part of the consortium chosen for the CHUM project, along with Innisfree and OHL.

Innisfree is a British investment bank that was also part of the MUHC consortium. It is associated with OHL for the CHUM but in competition with the OHL at the MUHC. Pomerleau-Verrault was an Innisfree partner for the MUHC, but part of the winning consortium for the CHUM.

For these giants of the financial world, "competitors" are also often partners. So much for competition...

At the MUHC, as we know, SNC-Lavalin won the contract. More than \$22 million in bribes guaranteed SNC-Lavalin an undue advantage because it obtained its competitor's plans.⁵

After bids closed, *La Presse* learned that the Liberals had changed the rules of the game to allow non-compliant firms to remain in the selection process for P3 contracts. This was called:

... worse than what Montréal's Auditor General reproached the City of Montréal with in the contract for water meters...⁶

THE END OF THE FINE PROMISES

Once the contracts were signed, the machine went into overdrive. By the end of 2012, costs had already skyrocketed. SECOR-KPMG reported that:

... the cost of the Centre hospitalier de l'Université de Montréal (CHUM) project had jumped by 127% to \$3.4 billion, with another two years of work still to go. As for the MUHC P3... its cost rose by 78% to \$2.8 billion.⁷

A FLURRY OF CRIMINAL CHARGES

UPAC described the P3 contract for the MUHC as: **... the biggest corruption fraud in the history of Canada.**⁸

Premier Couillard, a great friend of Arthur Porter back when he was promoting the P3s, was careful not to launch an investigation.

By pleading guilty to charges of conspiracy and laundering the proceeds of crime, Pamela Mattock Porter (Arthur Porter's wife) recognized that her millions "were the proceeds of crime."⁹

There has never been any real public investigation. Arthur Porter, the main person accused, is now dead. Which leaves us wondering what will happen with the trial begun in the MUHC saga. Contracts are left in the hands of firms that obtained them by dubious means, if not outright fraud.

30 YEARS OF DRAINING THE PUBLIC PURSE

The P3 nightmare doesn't end once the hospitals are built. In fact, it will continue for another 30 years, since the P3 firms continue to own the buildings and will be responsible for maintaining them (electricity, heating, air conditioning, plumbing, etc.).

AT WHAT PRICE?

P3 contracts are secret. Nobody has the right to know how much the P3 firms will charge the public for maintenance of the buildings – not even how much they will charge for a lightbulb. Legal procedures are under way to find out maintenance costs for the two super-hospitals. As if we hadn't learned a thing from the Charbonneau Commission...

During the election campaign, Mr. Couillard had promised that his government would be the most transparent in the history of Québec. So Mr. Couillard, how much is it going to cost us for the next 30 years? If the P3 contracts are kept secret and in force, we will be enduring 30 years of cutbacks to finance this black hole.

We demand public disclosure of all the P3 contracts for the CHUM and the MUHC.

2. Noël, André. (2009). « Conflits d'intérêts potentiels entre conseillers et promoteurs », *La Presse*, 17 mars, <http://www.lapresse.ca/actualites/national/200903/16/01-837149-conflits-dinterets-potentiels-entre-conseillers-et-promoteurs.php>

3. Ibid

4. Lacoursière, Ariane. (2010). « CRCHUM : un seul consortium en lice », *La Presse*, 17 mars, <http://www.lapresse.ca/actualites/sante/201003/16/01-4261376-crchum-un-seul-consortium-en-lice.php>.

5. Vailes, Francis. (2014). « SNC, le PDG et les pots-de-vin », *La Presse*, 22 mai, <http://affaires.lapresse.ca/opinions/chroniques/francis-vailes/201405/22/01-4768753-snc-le-pdg-et-les-pots-de-vin.php>

6. Noël, André. (2009). « CUSM : feu vert aux propositions non conformes », *La Presse*, 13 octobre, <http://www.lapresse.ca/actualites/politique/politique-quebecoise/200910/12/01-910642-cusm-feu-vert-aux-propositions-non-conformes.php>

7. Craig, Isabelle. (2013). « Dépassements de coûts des grands projets, qu'est-ce qui cloche? », *SRC première*, 15 juillet, http://ici.radio-canada.ca/emissions/medium_large/2011-2012/chronique.asp?idChronique=303195

8. Arsenaux, Julien. (2015). « Les accusés du CUSM devant le juge », *Le Devoir*, 17 mars, <http://www.ledevoir.com/societe/justice/434661/les-accuses-du-cusm-devant-le-juge>

9. Larouche, Vincent. (2015). « Arthur Porter trahi par sa femme, qui plaidera coupable », *La Presse*, 3 février, <http://www.lapresse.ca/actualites/justice-et-affaires-criminelles/affaires-criminelles/201412/05/01-4825466-arthur-porter-trahi-par-sa-femme-qui-plaidera-coupable.php>



GETTING THE CONTRACTS CANCELLED REQUIRES A BIT OF DETERMINATION

Philippe Couillard shows no lack of determination when it's time to cut back on health care, education and all the other services for the population.

The same Philippe Couillard absolutely refuses to do anything when it's time to attack powerful financial interests that are filling their pockets at our expense. If Couillard had the P3 contracts cancelled, it could save us hundreds of millions of dollars.¹⁰

CANCELLING CONTRACTS... THE OIG SHOWS THE WAY!

The Office of Montréal's Inspector General (the OIG) has just shown how to do this. Observing "irregularities" in how 4 contracts with a total value of \$7.7 million were awarded, the inspector called for "the cancellation of four contracts".¹¹

The Inspector General wrote in his report that the Société du Parc Jean-Drapeau can "cancel the contract by simply giving notice... using... the general rule of section 2125 of Québec's *Civil Code*."

And in such a case, adds the General Inspector:

No recourse for loss of anticipated profits, but only for expenses already incurred, to use the general rule in section 2129 of Québec's *Civil Code*."¹²

So what are the Liberals waiting for to cancel the contracts for the university hospitals built as P3s? What's happened to their "rigour" and "transparency," their determination to make cuts where it's expensive?

Yet everything in the P3 contracts should encourage Philippe Couillard to terminate them:

- studies described as loaded to choose the P3 model;
- lack of competition when only one bidder is left for architectural design contracts (general contracting teams);
- the MUHC contract was apparently obtained by paying \$22 million in bribes;
- competitors who are also partners in the case of the CHUM and the MUHC;
- cost overruns of more than \$ 4 billion already by 2012;
- secret contracts for 30 years of hospital maintenance, with all the abuses that this suggests can be expected;
- the biggest case of corruption and fraud in the history of Canada, according to UPAC.

10. Hébert, Guillaume et Minh Nguyen. (2014). *Devrait-on racheter les PPP du CHUM et du CUSM?*, Note socio-économique, <http://iris-recherche.gc.ca/publications/chu-ppp>.

11. Projet de revalorisation et de développement, Horizon 2017 Société du parc Jean-Drapeau , Rapport et recommandations de l'Inspecteur général de la Ville de Montréal, mars 2015 https://www.bigmtl.ca/content/uploads/2014/10/Rapport-denquete-FI-NAL-Horizon2017_230315.pdf.

12. Ibid



WHEN THE MIRACLE TURNS INTO A NIGHTMARE

The MUHC had scarcely been “delivered” and there were already more than 14,000 defects, according to the *Gazette*¹³

- non-compliant 15-amp electrical outlets, instead of the 20-amp outlets the *Electrical Code* requires in hospitals;
- medical equipment that can't be used because the electrical outlets aren't there;
- electric panels that have to be changed so that circuits can be added to plug in medical equipment;
- inadequate ventilation where hazardous products are unpacked;
- serious sanitary problems with rough flooring in places like the pharmacy where everything has to be sterile;
- brand-new washbasins that have to be changed because they don't meet disinfection standards;
- sewer lines backing up to the second floor of the hospital;
- tiled floors cracking throughout the hospital.

13. Lemay, Éric Yvan. (2015). « Des problèmes d'électricité majeurs. Des travaux d'urgence faits au CUSM à quelques semaines de l'ouverture », *Journal de Montréal*, 7 avril, [http://montrealgazette.com/news/local-news/raw-sewage-backups-at-muhc-superhospital-test-relations-with-snc-lavalin](http://www.journaldemontreal.com/auteur/eric-yvan-lemay-Aaron Derfel (2015). « Raw sewage backups at MUHC superhospital test relations with SNC-Lavalin », Montreal Gazette, 26 août, <a href=)



Management at the MUHC is now realizing what it means to be tenants in their own hospital. Which raises a number of major questions:

- When will the defects be fixed?
- How will the work be done?
- Do the P3 firms recognize that the work has to be done?
- If so, when will the work be done?
- Do the firms recognize that it is up to them to pay for the work?

The P3 contracts mean that the MUHC doesn't have the right to shop around for the best deal for any of the work to be done, however minor, or even to shop around for the best price on anything at all – even lightbulbs! In the P3 model, the tenant is required to go through the owner (landlord) for everything: labour and materials.

In all probability, it will turn into a mess of suits and counter-suits in court that will cost the taxpayer a fortune.

The MUHC doesn't have enough space for what it was meant to do. For example, the laboratories were “forgotten”! As a result, hundreds of people have had to be located on two floors of the research centre.



Already, even before the hospital was delivered, the *Journal de Montréal* reported on the bitter war between the MUHC and the P3:¹⁴

The MUHC says it is “stunned” that SNC-Lavalin, suspected of paying \$22.5 million in bribes to get the contract to build the future hospital, dares to demand more than \$150 million for extras.

P3S GIVE THE KEYS TO OUR PUBLIC VAULTS TO PRIVATE COMPANIES

The Liberals should have known that the P3s would be a problem, because four years before the P3 contracts here were signed, Britain's Health Secretary abruptly ended a number of P3 contracts in hospitals there. Those contracts alone were responsible for 50% of the deficit in Britain's budget for health care.¹⁵ In Britain as well, the labour union UNISON got ahold of lists of prices invoiced to the public and discovered that in 2006, for example, the P3s invoiced more than \$115 for an ordinary neon bulb – not including what they invoiced for changing it.¹⁶

In Britain in 2006, a hospital had to spend more than \$250 to have a small board attached to a meeting-room wall with four screws – and that didn't include

14. Lemay, Éric Yvan. (2014). « Le CUSM surpris par l'ampleur des extras de SNC-Lavalin. Des dizaines de courriels et de lettres témoignent des désaccords avec la firme de génie », *Journal de Montréal*, 1^{er} décembre, <http://www.journaldemontreal.com/2014/11/30/le-cusm-surpris-par-l-ampleur-des-extras-de-snc-lavalin>

15. Charlot, Emmanuel, Florie Martin et Camille Le Pomellec. (2012). « Grands stades, hôpitaux, bâtiments publics : la vraie facture », *Pièces à conviction* n°93, diffusée sur France3 le 17 octobre, <https://www.youtube.com/watch?v=moI2TvczkBY>

16. Ibid



the cost of the board.¹⁷ In France, it came out that for installing a window in a dividing wall to let nurses at the nursing station observe patients in the waiting room, the P3 billed more than \$140,000.¹⁸

With the secret around our P3 contracts, there is good reason to worry. It's now, when the government is cutting back on all services, when it is touting the importance of “rigour” and “transparency”, that we have to put an end to the financial black hole of the P3s.

THE LIBERALS' DETERMINATION COMES AND GOES, DEPENDING...

In France, the Centre hospitalier sud-francilien (CHSF), a hospital built on the P3 model and similar in size to the CHUM and the MUHC, was also full of defects and substandard facilities. The French government terminated the P3 contract by buying it back after the hospital had been built.

By ending the “contract”, public authorities saved 700 million euros.¹⁹

What will it take for the Couillard government to decide to take back the billions of dollars now being wasted with the P3s and that will continue to be wasted over the next 30 years?

17. Ibid

18. Ibid

19. Monier, Julien. (2014). « Rencontre avec le directeur du Sud-Francilien », *Essonne Info*, 15 octobre, <http://essonneinfo.fr/91-essonne-info/67834/rencontre-directeur-du-chsf/>

PUT AN END TO THE P3 FIASCO

TWELVE QUESTIONS THAT SHOW WE HAVE TO PUT AN END TO THE FIASCO OF P3 UNIVERSITY HOSPITALS: :

1. Isn't it enough, Mr. Couillard, that the Auditor General concluded the dice were loaded in favour of P3s? (see footnote 1)
2. Isn't it enough, Mr. Couillard, that the general contractors had an undue advantage in obtaining the contract to build the other project? (see footnote 2)
3. Isn't it enough, Mr. Couillard, that the firms that obtained the contracts wound up being the only bidders? (see footnote 4)
4. Isn't it enough that a firm obtained the contract for the MUHC after illegally obtaining a copy of its competitor's plans? (see footnote 5)
5. Isn't it enough that the Charest government changed the rules after the end of the call for tenders to allow non-compliant bids to remain eligible and finally obtain a contract? (see footnote 6)
6. Isn't it enough that at least six executives of SNC-Lavalin and two senior MUHC managers, including your "former friend" Arthur Porter, have been sued for fraud, collusion and corruption in the case of the MUHC contract? (see footnote 8)
7. Isn't it enough that by recognizing having profited from the proceeds of crime, Mrs. Porter destroyed any trace of credibility that might have remained regarding the awarding of the MUHC contract? (see footnote 9)
8. Isn't it enough that the promise of no cost overruns with the P3 model fell apart by 2012 when KPMG-SECOR revealed that the cost of the MUHC had jumped by 78% and that of the CHUM by 127%, with two years of construction left to go? (see footnote 7)
9. Isn't it enough that the contracts remain secret?
10. Isn't it enough that SNC-Lavalin wants the MUHC to pay another \$150 million for "extras"? (see footnote 15)
11. Isn't it enough that the MUHC is stuck with more than 3,000 defects that will have to be fixed to make the hospital functional and safe? (see footnote 14)
12. Isn't it enough that public funds are being wasted on lawyers' fees, notably because of these 3,000-plus defects?

Mr. Couillard,

you should remember what Minister Barrette said about P3s in 2009:

Gaétan Barrette rails against P3s. “You can’t build a university hospital as a P3, the formula is too rigid. A bridge, OK; a road, OK. You just redo the asphalt every five years, that’s all. P3s freezes things at a point in time, but a hospital moves, evolves. It’s like Christ and the antichrist!” ²⁰

Mr. Couillard,

being transparent begins with publicly disclosing how much the two P3 hospitals have cost so far, and especially how much their maintenance for the next 30 years will cost.

Mr. Couillard,

we think rigour begins with putting an end to contracts that were tainted before they were ever signed, contracts marred by corruption, fraud and collusion that have exceeded projected costs by hundreds of millions of dollars.

Mr. Couillard,

responsibility means protecting public services against budget cuts and putting an end to the P3s that are draining the public purse.

20. Ouimet, Michèle. (2009). « Les bas et les bas des PPP », *La Presse*, 31 mars, <http://www.lapresse.ca/debats/chroniques/michele-ouimet/200903/31/01-841853-les-bas-et-les-bas-des-ppp.php>



COALITION DES CHUS SANS PPP

