

# TAKEN FOR A RIDE:

## THE COMMUNITY IMPACT OF THE CANADA LINE P3



The Canadian Union of Public Employees has looked into the community costs and consequences of privatization of a transit project through a public private partnership (P3) in Vancouver, British Columbia. The Canada Line, a rapid transit line connecting Richmond, the Vancouver International Airport and Vancouver, opened in the summer of 2009.

Although the Canada Line was a welcome expansion of the region's public transit system, the P3 project's main legacy is to provide a clear example of what can go wrong when governments give control over decision-making to the private sector, and in the process, sacrifice their accountability to the public.

## FORCED INTO A P3

The idea for Vancouver's SkyTrain system came out of the city's preparations for Expo 86. The first line in the system, now known as the Expo Line, was completed in 1985, and was publicly funded at a cost of \$854 million. The second SkyTrain line, the \$1.2-billion Millennium Line was also publicly-funded, and was completed ahead of schedule and under budget.

Planning for the Canada Line began in 2000 and it was clear from the beginning that the provincial government was intent on building the line as a P3. TransLink, a regionally-controlled public agency that manages the Vancouver region's transportation network, initially fought the P3 model.

However, the province was able to get its way by threatening to withhold funding unless TransLink agreed to a P3.

Based on the experience of the Canada Line, residents of the Greater Vancouver Region have learned some valuable lessons about what happens when governments privatize transit infrastructure and services using the P3 model.

## LESSONS LEARNED

### 1. IT'S NOT UNUSUAL FOR P3S TO GO OVER BUDGET

Promoters of P3s like to brag that P3s reduce government risks related to projects going over budget. The Canada Line proved them wrong in spectacular fashion. The original budget approved by TransLink was \$1.56 billion. The private sector consortium won the contract to build the Canada Line with a bid of \$1.9 billion. The final project cost was nearly \$2.1 billion, and yet a provincial news release claimed that the project was “on budget.”

### 2. P3s DON'T GUARANTEE INNOVATION OR INTEGRATION

Another thing that you will hear about P3s is that they lead to more innovation in public infrastructure because of the pressures of competition in the private sector. The truth is that companies involved in P3s often respond to any competitive pressure by trying to reduce costs, not improve the quality of design.

At the end of the tendering process for the Canada Line, TransLink had to choose between proposals from two different private sector consortia: one led by Bombardier and one led by SNC-Lavalin. The consortium led by SNC-Lavalin was awarded the contract largely because they relied on trains and tracks with technology that is older, less innovative and cheaper than that of Bombardier. The result is a system that's incompatible with other SkyTrain lines.

### **3. P3 SECRECY UNDERMINES PUBLIC ACCOUNTABILITY**

The Canada Line demonstrated one of the most fundamental problems with P3s: the public cannot get information about how public funds are being spent on projects that are supposed to respond to community needs. The core principle of P3s is that governments, with the goal of transferring risk, hand control over a project to a for-profit private sector entity that is expected to work in the *public interest* on behalf of the government. However, as part of the P3 deal, governments must sacrifice transparency, a key tool that allows the public to judge whether actions are in the public interest. Under the pretext of ensuring fair competition in the Canada Line P3 process, significant issues that would have caused the public to ask difficult questions were kept tightly under wraps.

### **4. P3s AREN'T RESPONSIVE TO COMMUNITIES**

The construction of the Canada Line had significant negative impacts on the communities near the line, particularly due to a flawed consultation process and the unwillingness of the project team to adequately address community concerns. Despite vocal opposition from the community, the project team chose a construction method that caused major disruptions in the surrounding communities and created financial hardship for many local businesses. The decision on the construction method was made before any community consultation, and resulted in a number of lawsuits.

### **5. P3s PRIORITIZE PROFIT, NOT GOOD WORKING CONDITIONS**

In the Canada Line, the private consortium was found guilty of serious workplace health and safety violations, and flat out exploitation of temporary foreign workers. The consortium was forced to pay a penalty to WorkSafeBC for its role in the death of an employee. In addition, SNC-Lavalin and a recruiting agency were required to pay \$1.25 million to a group of temporary foreign workers from Costa Rica, Ecuador and Colombia. The BC Human Rights Tribunal awarded the workers compensation for being grossly underpaid, and for injury to their dignity and self-respect.

Find a longer report on the Canada Line, and other P3 case studies, at [cupe.ca/p3-case-studies](http://cupe.ca/p3-case-studies)

cupe491