

When Public Relations Trump Public Accountability:
The Evolution of Cost Overruns, Service Cuts and Cover-Up
in the Brampton Hospital P3

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Forward

Since the announcement in November 2001 by then Health Minister Tony Clement and Finance Minister Jim Flaherty that the new Brampton hospital would be built as a flagship “Public Private Hospital”, the Ontario Health Coalition and its local chapter in Brampton have born witness to the evolving media-gearred spin by politicians and hospital officials throughout the repeated delays, ballooning costs, secrecy, and ultimately, severely decreased capacity of the new hospital. The experience has been deeply disturbing. For half a decade, public officials of various stripes have allowed private interests to trump the public interest in a gargantuan government contract spanning 27 years and more than \$2.85 billion with service contracts included. Except for a court order in the spring of 2007 - years after the scheme was signed - forcing the province and the private consortium to disclose the records pertaining to the deal, the normal checks and balances to protect public accountability have, at every stage, been sidestepped.

In 2001 then Health Minister Tony Clement exuberantly announced a new Brampton Civic Hospital as a Public Private Partnership (P3) housing 608 beds and costing \$350 million. It was to be built in addition to the existing Peel Memorial site which would then be redeveloped to house 112 additional beds. Since then, we have watched the scheme transform into a hospital with 479 beds costing \$650 million while plans for the Peel Memorial redevelopment have been shelved. As costs skyrocketed, the community, repeatedly promised 720 beds by 2008 to serve its rapidly-expanding population, now has only 479 beds.

Once the service contracts are added into the \$650 million in capital costs, this first P3 hospital will total more than \$2.85 billion, according to the publicly-released figures. Add in the equipment contract and the total is over \$3 billion. It is no longer clear what additional funds will be required to get the bed totals up to 608. While there is no question the Peel site was aging and required redevelopment – a simple fact supported by the coalition from the beginning - the costs and consequences of the decision to allocate billions in guaranteed public monies to a private sector consortium for 34% less beds than the community’s assessed needs, is not a question that any of the decision-makers involved have answered.

The health coalition has spent seven years providing to dozens of government and local officials the evidence of cost overruns and service cuts caused by the exorbitant cost of the P3 hospitals in other jurisdictions. We spent four years in court trying to get the secret documents pertaining to the financial and management deals contained in the Brampton P3 contract. We have asked, for two years, for an audit by the Provincial Auditor of the Brampton deal. At every step, we have endeavoured to inject a reasonable level of public accountability into this process. At every step, we have been met with a refusal to substantively answer legitimate questions about public policy and public expenditure. Instead public officials have responded with obfuscation, outright untruths, and deliberately misleading media spin.

The province has now announced its intention to build more than 30 new hospitals using the P3 model. To our relief, none of the new deals contain the massive scope of service privatization that occurred in each of the Brampton and Royal Ottawa P3s. However, they all including private financing, and at least a dozen projects include private service contracts and commercial deals like

those in the Brampton and Ottawa P3s. The current project agreements allow expansion of the privatization in the deals by future governments.

As we have seen exhibited in Brampton, the high costs of private-sector involvement in dozens of new hospitals over the next several years will undoubtedly place competing pressures on scarce healthcare dollars, moving money away from care to private investors seeking profits from Ontario's hospital expansion. The importance of ensuring public accountability in this deal is that it will help to reduce the chance of such excesses in the major building project that is now underway, and hopefully force a serious review of the P3 privatization policy.

This report covers the history, in their own words, of public announcements and promises to the Brampton community by the Ontario government and hospital officials since the inception of this new model of private-sector hospital development. Now it is time to collect all the information in one place, to look at the history, to read the public announcements as they were made by the Ontario government and hospital officials, and judge for yourselves.

Natalie Mehra
Director

With special thanks to Ed Schmeler, Kathy Pounder and Doug Allan for their research assistance.

For the Record:

Brampton Population (StatsCan figures)

1996 - 268,000

2001 - 325,000

2006 - 434,000

2012 (projected) - 526,000

By 2008 Brampton will need a total of 930 hospital beds.

January 27, 2003 Regional Hospital Infrastructure Plan for Halton and Peel prepared by the Halton-Peel District Health Council

Number of beds promised in Brampton by 2008 at outset of P3 negotiations with private consortium: 720.

Number of beds delivered in Brampton by 2008 at end of construction: 479.

Average bed reductions across British P3 hospitals due to high costs: 30%¹.

Principal Decision-Makers:

Since 2001 when the new P3 hospital was announced, in addition to the Premiers and Cabinets whose approvals were required before the project moved forward, there have been several key decision-makers and spokespeople involved in informing the public about the new hospital as follows:

Hospital CEOs:

Leo Steven: left in 2002
Bob Bell: 2002 - March 2005
Bob Richards: March 2005-present

Health Ministers:

Tony Clement : 2001-September 2003 (Harris/Eves premiers)
George Smitherman: 2003-present (McGuinty premier)

Mayor:

Susan Fennell: 2000- present

The Private Consortium:

The for-profit consortium contracted to build, finance and operate the Brampton P3 hospital is called THICC (The Healthcare Infrastructure Company of Canada). It is comprised of Borealis, EllisDon and Carillion Canada. (Borealis was the investment arm of OMERs and Carillion Canada is a subsidiary of the UK P3 company Carillion). In 2005, it was revealed that CIT Capital Finance, a unit group of CIT Group Inc., arranged the senior debt facility for the hospital deal.

Timeline:

November 30, 2001: new private model for hospital development announced by Tony Clement and Jim Flaherty; Brampton hospital will be built as a P3, housing 608 beds, costing \$350 million.

May 29, 2002: Request for Qualifications (first stage of bidding process) commences.

July 2, 2002: Groundbreaking ceremony - Clement announces that construction will start imminently and hospital will be completed by 2005.

October 2002: Bidders shortlisted - Number of bidders reduced to four to go into final phase of tender.

May 12, 2003: Announcement that the final bidder is selected: the Infrastructure Company of Canada (THICC), a multinational private consortium, is selected to build, finance and operate the new hospital. Negotiations between the provincial government/hospital and the private consortium begin.

May 23, 2003 - The Ernie Eves government approves \$9 million to begin planning and design for redevelopment of the Peel Memorial Hospital (Lynch Street site) following completion of the new campus.

August 29, 2003: Tony Clement announces the signing of the Project Agreement with the private consortium. It was later revealed that this agreement was not the complete deal and financial close had not been reached.

September 2003: Ontario Health Coalition, in partnership with CUPE, OPSEU and SEIU begin court action on unlawful privatization, with an attempt to win disclosure of the terms of the secret deal.

November 10, 2003: Liberals win provincial election, Tony Clement Brampton MPP & Health Minister loses his seat.

November 21, 2003: McGuinty government announces that the deal has been renegotiated and construction will proceed "on time". The government promises to reveal the deal by the end of 2003. It was later revealed that the deal was not complete and financial close had not yet been reached. The terms of the deal would not be disclosed until a court order forced public filing of the records 2007.

March 2004: A severely redacted Project Agreement is released. Most financial details are blacked out. Costs for new hospital are revealed to be \$536 million plus service contracts totalling \$2.74 billion. Hospital officials claim the hospital will be completed by late 2006 or early 2007.

June 9, 2004: A leaked document reveals the consortium is seeking another \$22 million to finalize deal and begin construction. Total capital costs now up to \$ 550 million.

October 24, 2004: Hospital CEO tells media that the new hospital will be completed by July 2007.

November 23, 2004: Financial close reached. Construction begins.

2005 - Initial plans for construction to be completed by 2005.

January 5, 2005: Financial close announced publicly.

June - October 2006: After the changes to the P3 Project Agreement, made by Health Minister George Smitherman, a new construction deadline was moved from June to October 2006.

May 2007: Health Coalition and partners announce success in obtaining court order forcing the government and the private consortium to release secret documents containing full details of the deal.

October 28, 2007: New Brampton Civic Hospital opens at a cost of \$650 million with 479 beds. Officials proclaim the hospital is built "on time" and "in budget".

What is the Brampton P3 Hospital and Why is it Controversial?

The model for P3 privatization used in Brampton is as follows:

In the Brampton hospital P3, (Public Private Partnership) the private sector formed a group of companies called a “consortium” including architects, financiers, service privatizers, and property management firms to finance, build and operate the new hospital. The consortium makes profit from the deal in at least five ways:

1. the costs for building the hospital are paid back through a lease-to-own deal which commits Ontarians to 25 years of payments to cover the building costs and provide a significant profit margin for the financiers, construction company and consultants involved.
2. all the support services from patient records to food are given to the consortium to run for their own profit for the 25 year contract, bundled into the real estate deal.
3. the consortium is allowed to develop the lands, and “ancillary business opportunities” including technology deals and vendor contracts for private clinics or businesses inside and outside the hospital to provide additional streams of revenue from which they take profit, also bundled into the real estate deal.
4. user-fees such as parking fees are given as an additional stream of profit for the private consortium for the duration of the deal.
5. the consortium is entitled to take 50% from the windfall of refinancing or selling off its interest in the hospital.

Significant changes from traditional hospital construction:

The hospital model used in Brampton contains dramatically deeper and longer-term privatization than any hospital since the inception of Public Medicare.

- No hospitals have contracted out support services in a 25 year contract.
- No hospitals have contracted out the full range of services privatized here.
- No hospitals have bundled a service privatization contract covering all hospital support services into a real estate deal to build the hospital.
- No hospitals have a contract allowing the private sector to develop commercial ventures for their own profit inside and around the hospital over a 25 year agreement, or to sell off their interest in the facility for a windfall.

In the Brampton hospital, the private sector manages and runs services amounting to about 50% of a normal hospital budget for 25 years. They also have significant control over the lands and commercial development inside the hospital. This is unprecedented.

- Some hospitals have privatized individual services. The contracts typically cover a single service in deals which are 2 -3 years long and allow either party to get out of the contract without penalty upon 6 months notice.

Criticisms of Hospital P3s:

The Brampton P3 is based on an international prototype, which has been most extensively used in Britain. The two first P3 hospitals built in Canada are in Brampton and Ottawa. The significant change introduced by P3 models is that functions formerly performed as non-profit or public services are turned over to for-profit consortia whose mandate is to provide maximum rates of profit to their investors. The conflict of interests between the public interest mandate of hospitals - to provide universal health care - and the P3 profit-seeking investment vehicles, are evident in the global experience with hospital P3s, as follows:

Public Private Partnerships or P3s are simply an industry-created term for privatization. Though the private sector has attempted to brand their involvement with the aura of superior efficiency several recent experiences with P3s in Ontario have been not been favourable. Highway 407 is a P3, as was the scandal-ridden City of Toronto MFP contract. So too was the failed Toronto Union Station contract and the Hamilton-Wentworth water P3 that was re-publicized after the largest sewage spill in Lake Ontario's history.

1. Costs for financing, profit, and transaction costs are much higher than public borrowing, resulting in cuts to clinical budgets, doctors, nurses, support staff and beds, and ultimately reducing community health service budgets in what is called the "P3 effect". The investors in the Brampton P3 are making \$260 million in dividends alone, on a hospital project that was initially projected to cost \$350 million in total.
2. Management and provision of public services are handed over to for-profit companies for generation-long deals that are run for the profit of the companies involved and have led to quality issues such as increased infection rates for patients.
3. Contracts with the private sector are considered "commercial secrets" and are thereby shielded from appropriate public scrutiny.
4. The public/non-profit control over the hospital is compromised by the terms of the contracts with the private sector. Under the deals, management of the hospital is bifurcated, with the for-profit companies running half the hospital services and all of the buildings and lands for their own profits while the other half of the hospital is managed by the non-profit management team providing the clinical health services. Relations between these two are reduced to financial and legal levers, as the contract, not the hospital board, now controls the largest portion of the hospital operations. The public hospital board is forced to use legal arbitration processes to exert control over the services and facility that are in the hands of the private sector for the duration of the contract, sometimes leading to total management breakdown and years of legal wrangling at the public expense. The public hospital authority loses control over what were previously public services, and since no clinical care can be provided without support services, all of the hospital operations are directly or indirectly controlled by the consortium. While the public board has the mandate to provide publicly funded clinical care, it can only do so with the cooperation of the private consortium.
5. The deals allow for deep commercialization, including for-profit health services inside public hospitals and their grounds, leading to two-tier health care and the undermining of the public system.
6. P3 hospitals in Britain have been beset with poor construction quality and expensive IT contracts for technologies that do not work properly and create a host of new costs.
7. User fees for a host of items ranging from parking to televisions and phones for patients and even volunteer offices have escalated to help improve the profits of the P3 consortia.
8. In the worst cases, P3 projects have fallen apart due to bankruptcies or out-of-control costs leaving public authorities with unfinished projects. This has happened in several P3 hospital projects in London, England, in a host of technology contracts in Canada and abroad, and in highly publicized set of British P3 school projects, among others.

Introduction

The promises and the reality of the Brampton P3 hospital can be traced through a myriad of conflicting government and official announcements beginning in 2001. From the original completion deadline of 2005 to the actual completion of the project in 2007, politicians and hospital officials claimed the hospital was “on time”. From the final cost estimate of \$350 million prior to negotiations with the P3 consortium, to the final cost of \$650 million disclosed in 2007, the same officials repeated that the hospital was “in budget”. From the initial promises of 720 beds for the community to the final total of 479 beds for the community, hospital officials and provincial governments have tried to minimize the relationship between the escalating costs and the diminishing size of the plans.

For more than half a decade the hospital and the province denied the obvious privatization and attempted to keep secret the details of the hospital deal and their internal documents relating to it. At every stage, as deadlines were missed, as costs ballooned, as the capacity of the hospital was reduced, elected officials responded to public questioning with a string of broken promises, denials and obfuscation.

In fact, as the newly released internal government and hospital documents reveal, the final Brampton P3 project agreement was clearly negotiated by both the Harris/Eves and McGuinty governments. They reveal that while the McGuinty government amended the original project agreement, it did not “cancel” nor reverse the P3 deal as it claimed. They reveal that the negotiated amendments neither provided public transparency nor public control as claimed by the minister and the premier. They reveal the extent of the documentation that remained hidden until a court order forced its release in the spring of 2007. They reveal the moving deadlines of the project as costs escalated and the size shrank.

Two successive governments have allowed PR spin to trump honest reporting on the consequences of the P3 decision. The provincial auditor has never audited the Brampton and Ottawa deals, despite the controversy and repeated promises by the government that the P3 deals would be audited. Two Ministers of Health, two Premiers and three hospital CEOs have deliberately misled the public about the consequences of their choice to embrace P3 privatization of the Brampton hospital. These decision-makers, who ought to be accountable to the people of Ontario as citizens, taxpayers and users of our health services, have deliberately misled the public about everything from the model used in the hospital financing and redevelopment, to the costs of the hospital, to the progress of the construction, to the unprecedented extent of privatization, to the cancellation of the planned redevelopment for the old hospital site, and most recently the very size and capacity of the hospital.

From the outset, Health Minister Tony Clement downplayed the significance of his government’s dramatic shift in policy from building hospitals as public/non-profit entities to hospitals created as deeply privatized investment vehicles for multinational financiers, complete with generation-long private contracts for profit-seeking commercial developments and privatized service contracts to operate the new hospital. Clement created a public relations approach that favoured a quick sound-bite over substance. “Faster, better, cheaper” was his mantra, used to justify the P3 privatization. “Its not privatization” he repeatedly claimed. For, in the morally agnostic world of public relations communications, a relentlessly-repeated short message is the goal of a successful communications strategy.

"On time and in budget" was the version created by the McGuinty government when they took over the Brampton P3 project in 2003. Like the Harris/Eves government, McGuinty continued to claim that the massive deal with a private sector consortium - comprising 6 feet of commercial contracts and billions in public funds - was not privatization, even going so far as to rename the project an "Alternative Financing Mechanism" or "Alternative Financing and Procurement" to cover up for his government's broken campaign promise to stop the P3 privatization. Finally, after more than two years of construction delays, \$300 million in cost-overruns and a decrease of 119 beds, Brampton's new hospital was opened "on time and in budget", according to the government and hospital officials on October 28, 2007.

Rather than reporting to the public that they had opted to continue with the P3 model in Brampton and Ottawa, Premier Dalton McGuinty and Health Minister George Smitherman issued a press release on November 21, 2003 titled "McGuinty brings new Ottawa and Brampton hospitals into public hands: Affirms Commitment to Publicly Owned, Controlled and Accountable Hospitals". Premier McGuinty said,

"We opposed the private deals at the Royal Ottawa Hospital and Brampton's William Osler Health Centre. We made a commitment to bring them back under public control. We've kept that commitment....Today's announcement means that construction will begin, as scheduled, on two brand new, open and accountable public hospitals....The new deal ensures these project agreements will be in full, public view – unlike the previous agreements."

Later, the additional claims of "public ownership, transparency and accountability" were added to every press release and official statement relating to the renamed P3s.

But these claims - made directly by the Premier - cannot withstand scrutiny. Despite the Premier's assertion that the hospital would be open, accountable and publicly controlled, the details of the hospital deal were kept secret until a court order forced disclosure in 2007. Despite the Premier's assertion that the hospital would proceed on schedule, the newly revealed internal government documents show that the Health Minister approved the delays of the dates for financial close and construction. The priority of PR over public accountability for the new McGuinty government was set from that press conference on.

Ministers and public officials are well aware that there are very few investigative reporters, and media outlets that will sift through the evidence and form conclusions one way or the other when faced with contradictory information. Most will simply report that one party makes one claim and a cabinet minister responds with another claim. For example, a coalition report that the government had signed more than \$3 billion in privatized hospital deals were dismissed by Public Infrastructure Minister David Caplan as "wildly exaggerated" to the Globe and Mail, even as the costs for the projects negotiated to that point had demonstrably exceeded \$3 billion using the hospital's and government's own documents and figures.

As the P3 policy has deepened and turned from a "pilot project" in Brampton and Ottawa to over 30 hospital P3s now announced, pressure has been repeatedly used to get journalists to cease writing critical stories. Numerous reporters from different media outlets informed the health coalition about meetings in which they were "grilled" by hospital officials or pressured by the government for reporting negatively about the P3 project. These events occurred not only in Brampton and Toronto, but in many towns with proposed P3 projects. One newspaper and a university professor were subjected to a law suit over a story that made the connection between P3 lobbyists and Tony Clement. (The legal action was later settled. Details are not public.) An investigative report on P3s was subsequently never printed. Local reporters were called directly by

at least one government cabinet minister (Hon. David Caplan) as soon as they printed a story on the projects. One journalist told the coalition that every investor in his local paper had been contacted by government officials to support the hospital campaign which was opposing the coalition's attempts to reveal to the public the nature of the P3 deal.

Finally, in response to public outrage over patient deaths and extraordinary emergency room waits in the new hospital's first month of operation, the Health Minister claimed this month in the legislature that the P3 (AFM/AFP) privatization had nothing to do with the functions of the hospital. This latest sound-bite was repeated by the hospital CEO in an attempt to divorce the capacity and operations of the hospital from the privatization deal.

"There are absolutely no linkages between who finances a hospital and what goes on within its walls. It's absolute nonsense....It's never been a secret, the model under which this hospital was built. (Hospital CEO Bob Richards, "New Hospital Upsets Community" Torstar December 5, 2007).

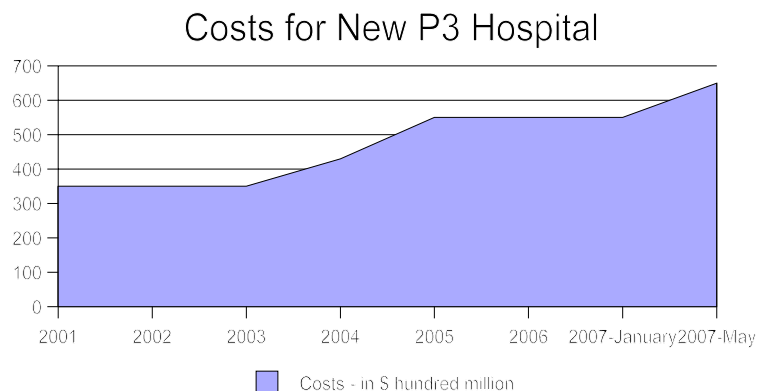
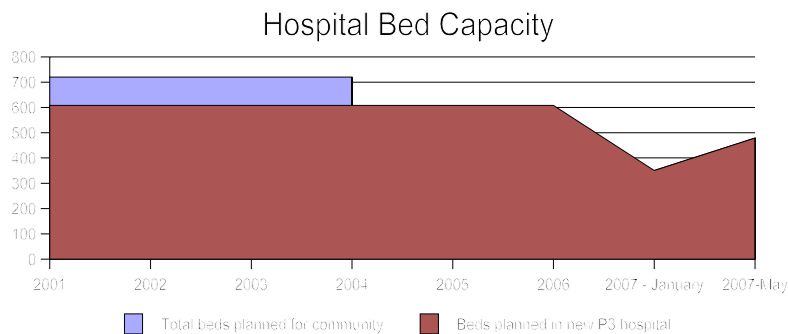
But a closer look at the evidence in their own words and documents paints a different picture. The evidence - in their own words and documents - shows that the government and hospital officials repeatedly tried to downplay the extent of the privatization. It shows that the size and capacity of the new facility was reduced to contain the costs of the P3, the costs for the deal put pressure on the hospital budget, the redevelopment of the Peel Memorial site was cut after the cost escalations of the P3 project, the new size of the hospital falls far short of assessed community need, and the IT and service contracts with the private sector irrefutably impact the care of every patient in the hospital from their food, to their transport around the hospital, to the performance of the security guards, to the retrieval and storage of patient records.

* Once the service contracts and maintenance deal was added in, the total cost was more than \$3 billion, according to publicly-released figures.

Cost Increases and Size Reductions

From the final tender plan for the Brampton P3 hospital to its construction, three major changes to cost and size happened:

1. The cost of the project increased from \$350 - \$650 million in capital costs alone. Equipment costs increased from \$100 - \$250 million. In total, with the service contracts and the equipment costs included, the province committed more than \$3 billion in 25 year streams of payments of public money to the for-profit consortium.
2. The size of the project was reduced. From an initial projection of 608 beds, the new hospital now houses 479 beds. The government has made a new promise to increase the beds to 608 by 2012, but it is not clear how much more money has to be flowed to increase the bed totals.
3. Plans for the existing Peel Memorial Hospital site to contain a 112 bed hospital were dropped.



In their own words

Brampton Guardian "Province wants partners for new hospital" Sabrina Divell 12/05/01

William Osler is the first of two projects that will examine the chance to use a public/private partnership to build new hospitals in the province of Ontario..... "As I announced in this year's spring budget, the government is committed to a new framework for health care partnerships in the province. Public/private partnerships are an option that will have to be seriously considered before the Ontario government will commit to any type of funding," said [Finance Minister Jim] Flaherty....**The estimated cost for the new hospital is currently \$350 million said Flaherty, and the province is looking for close to 700 bids from the private sector to build the new 1-million-sq.-ft. building in Brampton.**

Brampton Guardian "Contenders to build hospital narrowed to four" Sabrina Divell 10/25/02

Brampton is one step closer to getting a second hospital as the Request for Qualification (RFQ) process is completed. Four consortiums have been chosen to submit a Request for Proposal (RFP) to design, build, finance, property manage and maintain the new building....The RFP will begin shortly and representatives from WOHC said the final contract for the construction of the new building will be awarded in the spring....**The new hospital campus will support 608 beds, 90,000 emergency patient visits and 110,000 outpatient visits a year....Rosalie Penny, vice president of public affairs for WOHC said the final budget for the new hospital is estimated at \$350 million plus a \$100 million estimation for equipment and commissioning budgets.**

Cost Increases and Size Reductions Timeline		
Date	Cost	Size
December 2001	\$350 million	608 beds (new hospital) 112 beds (redeveloped Peel Memorial site) 720 Total
2002 - "Groundbreaking Ceremony"	\$350 million	608 beds (new hospital) 112 beds (redeveloped Peel Memorial site) 720 Total
2003 - May final bidder selected and negotiations started	\$350 million	608 beds (new hospital) 112 beds (redeveloped Peel Memorial site) 720 Total
2003 - November government announces new Project Agreement for "public" hospital	\$430 million	608 beds (new hospital) 112 beds (redeveloped Peel Memorial site) 720 Total
2004 - March Project Agreement released with substantial portions blocked out	\$536 million	608 beds No further reference to Peel Memorial 112 bed redevelopment
2004- summer to fall	\$550 million	Hospital CEO reports hospital design is changed. First announcement that hospital will open "in stages".
2006 - June	\$550 million plus \$250 million for equipment	608 beds still promised – no further references to Peel Memorial 112 bed redevelopment
January 2007	\$550 million	350 beds
May 2007	\$650 million	479 beds – later that year it was revealed that Peel Memorial will not be re-opened as a hospital

Cost Increases and Size Reductions In Their Own Words
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Brampton Guardian "Shovel in ground for new hospital" Sabrina Divell 07/03/02
More than 40 years of waiting is finally over for Brampton as the community celebrated the ground breaking for the new Brampton hospital yesterday. **Residents applauded as Minister of Health and Long-Term Care Tony Clement proudly announced that, by the year 2005, a multi-layered building housing 608 medical beds will be standing in place of the vacant piece of land at the corner of Bramalea Road and Bovaird Drive.** "We, here in Brampton, cannot wait," shouted Clement. "This is the actual start of the building."**The new hospital is estimated to cost \$350 million and will require a commitment from the Brampton community to raise 30 per cent within the next 25 years.**

Brampton Guardian "2002 in review: New hospital highlighted health care" Sabrina Divell 01/01/03
....By 2006 when all the construction is completed, WOHC will be the 6th largest hospital corporation in Ontario with more than 1,200 beds in operation among all four campuses. **"That is very sizable, and right in the middle of that would be 700 to 800 beds in operation in Brampton alone," said [Hospital CEO Bob] Bell** in an interview with The Brampton Guardian this year. "So if you can appreciate that picture, Brampton is going to be a major centre of hospital and non-hospital based services."
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2002 - 2007: Costs Increase from \$350 Million to \$650 Million, Beds Decrease from 720 to 479

Despite the repeated government justification for the P3 policy as P3s come "in time and on budget", from the beginning of the P3 contract to the end of the construction period for the new P3 hospital, capital costs had increased 186% from \$350 million to \$650 million and the total number of beds had declined from 608 to 479 - a decrease of 22%. In 2003, after the finalist bidder had been selected and the government began negotiations, the costs began to increase. Plans were cut for 112 beds in the Peel Memorial site in addition to the 608-bed P3 hospital. However, it was not until 2007 when the reduced number of beds in the new P3 hospital and the closure of the Peel Memorial site were revealed to the public. In total, the number hospital beds promised for the community by 2008 have declined from 720 to 479 - a decrease of 34%. This is in line with the findings of the British Medical Association Journal, which reported that beds decreased by 30% across the P3 hospitals in Britain due to the high costs of P3 financing².

The new hospital was projected to cost \$350 million from the announcement of the project in 2001, through the bidding period, until the province sat down to negotiate the deal with the finalist bidder private sector consortium in 2003. Thereafter, costs escalated quickly. By the time financial close of the P3 contract was announced in January 2005, the hospital was revealed to cost \$536 million in capital costs alone³. (With service contracts bundled into the deal the total was \$2.74 billion⁴, without including any equipment.) In June, leaked documents revealed that the private sector consortium was requiring another \$22 million in capital costs to start construction.⁵ The cost for the building had then increased to \$550 million.

While hospital officials revealed that the terms of the deal with the private sector meant that the size of the hospital had been reduced, they claimed that this would not impact patients. But in July 2004, the Brampton Guardian reported for the first time that the new hospital would open "in stages" instead of at full capacity. In January 2007, the Minister of Health finally revealed that the total number of beds had been reduced to 350.⁶ The Mayor made her anger and shock very public. In March 2007, the Minister of Health announced another \$100 million in capital funds, and \$13 million in operational funds, and an increase in the bed total to 479⁷, still far short of the promised 608. With this announcement, the total capital cost rose to \$650 million*. Under continuing public pressure, the government made a new promise to get the bed total up 608 by 2012. It is not clear if additional payments must be made to obtain the remaining beds.

Cost Increases and Size Reductions In Their Own Words

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Brampton Guardian "Builder selected for new hospital" Sebrina Divell 05/14/03
William Osler Health Centre (WOHC) has announced its preferred private sector bidder to build Brampton's new hospital. The Healthcare Infrastructure Company of Canada will design, construct and help finance Brampton's new hospital being built at the corner of Bovaird Drive and Bramalea Road...**A final price tag for Brampton's new hospital is still a question mark, and Bell said the \$350 million figure being floated around by the media is not entirely accurate. "Our transaction (the final financial close between the consortia and the hospital) entails the capital construction costs, the designs, the planning approvals, as well as a whole bunch of services for a 25 year period," he said. "It wouldn't be appropriate for us to talk about the nature of what is the money equation when it's still not finalized."....The new facility will house 608 beds, while the Lynch Street site, which is scheduled for redevelopment following the completion of the new hospital, will house 112 beds. In total, by 2008 Brampton residents will have access to 720 hospital beds, which is double the 360 beds currently in the community now....Anne Randell, president of WOHC Foundation, said the community's fundraising goal will range anywhere between \$60 and \$100 million.**

Canadian Press "Ont. government remakes hospital deals, private firms will still build them" Keith Leslie 21 November 2003

Bob Bell, president and CEO of the William Osler facility, estimated building the new 608-bed facility at \$430 million just ``for the bricks and mortar.''

The old hospital - known in the community as the Peel Memorial site - was also slated for redevelopment. Plans, announced by hospital and government officials in 2001 were for the redevelopment of Peel Memorial to house 112 beds. Repeatedly, the public was promised that the community would receive a total of 720 hospital beds to serve its rapidly-growing population. But by 2003, local officials began to question the government's commitment:

"Rumours have been circulating around the community," said Leggatt [Dr. Ken Leggatt, corporate chief, Dept. of Family Medicine at WOHC], 'about the possibilities of Brampton's second hospital being cancelled, downsized or moved to another municipality further east. However, Premier elect Dalton McGuinty has said Brampton will get all of the hospital beds it has been promised, according to Brampton Mayor Susan Fennell. Fennell pinned a "Hospital Now" button on McGuinty at the Ontario Chamber of Commerce Outstanding Business Achievement Award night in Toronto Thursday and then questioned him about the hospital. 'He said, 'I know you're concerned and don't worry. You are getting all the beds you are expecting and were promised. We're not changing anything. As far as I'm concerned, nothing's changing,' Fennell said." Metroland Papers- Brampton Guardian "Staff speak out about planned hospital" Sabrina Divell 11/19/03

On October 4, 2005, the MOHLTC issued a media release announcing approval for the redevelopment of the Peel Memorial site stating, "This means that patients will have access to a state-of-the-art facility to accommodate ambulatory care and complex continuing care. Construction is slated to begin in 2009/2010." MOHLTC press release October 4, 2005.

But by the summer of 2007, when capital costs for the new P3 development had escalated from \$350 million to \$650 million, plans to redevelop Peel Memorial as a hospital were shelved. The province changed its promise, saying it would now redevelop the building into a "health care facility", but not a hospital, and created a task force to determine what services would be housed in that facility. The task force did not hold its first meeting until December 2007. By December 2007, even the language of "health care facility" had been dropped. In the task force mandate, the goal is now to determine "the future use of the Peel Memorial hospital lands"⁸. (The lands are prime real estate in the centre of old Brampton. It is rumoured in the community that the hospital will be dismantled and the lands sold off for

Cost Increases and Size Reductions In Their Own Words *cont'd...*

Toronto Star "Brampton to get its public hospital" Mike Funston 22 November 2003

Construction of Brampton's \$420 million, 600-bed hospital will proceed on schedule, and will open in 2006 as a publicly owned and operated facility, Ontario Health Minister George Smitherman says.

Brampton Guardian "Final price tag on hospital is \$536 M" Sabrina Divell March 28, 2004

Brampton's new hospital will carry a final price tag of \$536 million, according to William Osler Health Center (WOHC) officials, but that does not include the cost for state-of-the-art medical equipment...

"There is no equipment cost at all in this project agreement that we have," said [Vicky] Truman [executive vice president of corporate services].

Toronto Star "Mayor fights for hospital; Promised Brampton centre still in limbo while costs soar..." Morgan Campbell July 21, 2004

In early June an internal document from a hospital board meeting revealed that THICC wanted the hospital to pay an additional \$21.8 million before it would agree to build the hospital. The document states THICC officials blamed the rising costs on construction delays....Graham Farley, vice-president of Carillion Canada - one of the companies that make up the THICC consortium - declined to discuss financial details, but said the consortium and the hospital are negotiating a date to begin construction. "It's a complicated process, and it's a new process in Canada but I'm confident that we will get it done," Farley said....Two weeks ago the Guardian reported that under orders from the health ministry, Osler officials drafted a plan to eliminate the hospital's \$27 million deficit....**Under the plan the new hospital would open in stages, instead of at full capacity.** The proposal is awaiting approval from the ministry. >

development.)

The Brampton community now has 129 beds less than the projected 608 in the new hospital and 241 beds less than the promised 720 beds for the community including the redevelopment of Peel Memorial which has been cut. Though the Minister has announced intentions get the bed total to 608 by 2012, if this latest promise is met, the community will still be 112 beds short of the promised 2008 total of 720 beds, and far short of the measured community need. For, in 2003, the District Health Council projected that the community would require 930 beds by 2008⁹. This is the most recent publicly-available evidence-based needs assessment for the community.

* with the equipment deal and services added in, the total value of the contract now amounted to more than \$3 billion.

**Cost Increases and Size
Reductions In Their Own Words**
cont'd...

Brampton Guardian "Hospital construction is going forward; 2007 is target date for hospital" Sabrina Divell October 24, 2004
Construction will be completed by July 3, 2007, [hospital CEO Bob Bell] said, with the project to cost \$536 million....Some adjustments were made to the final design of the new hospital, Bell said, to help reduce some of the "financial pressures on this project." Instead of three main buildings-- a diagnostic treatment block, patient care tower, and an ambulatory care centre-- plans now show two main structures and a parking garage will be housed on the land. "The ambulatory centre will not be built because we have transferred that space inside the main complex," said Bell. "We basically reduced the amount of space that would have been dedicated to management and administration offices." **The building will still have more than 1 million sq.-ft. of floor space and will add 608 new acute care beds to the Brampton and WOHC community inside a six-storey patient care tower.**

Brampton Guardian "Hospital needs help from residents" Heather Ennis 06/11/06
"Today, Brampton Civic Hospital is approaching 60 per cent completion, but our work is far from complete," said WOHC president and chief executive officer Bob Richards. "In just over a year, the keys to this facility will be placed in my hot little hand."
....The price tag for bricks and mortar at the site has been pegged at \$550 million, and it will cost an additional \$250 million for equipment, furniture and technology for the hospital to reach its full 608-bed capacity, said Richards. That puts the community contribution at approximately \$240 million...

continued >

Changes in Building Plans

There has been no official explanation for the cost increases or the size decrease. In October 2004, hospital CEO Bob Bell made public changes to the design of the facility to reduce its size, noting that the changes were made to contain costs, as follows:

"Some adjustments were made to the final design of the new hospital, Bell said, to help reduce some of the "financial pressures on this project." Instead of three main buildings— a diagnostic treatment block, patient care tower, and an ambulatory care centre— plans now show two main structures and a parking garage will be housed on the land. "The ambulatory centre will not be built because we have transferred that space inside the main complex," said Bell. "We basically reduced the amount of space that would have been dedicated to management and administration offices."" Sabrina Divell, Brampton Guardian October 24, 2004

Documents from the hospital show significant changes to the building design from 2002 - 2007. In 2002, the "Osler Connection" newsletter showed the plans for the new facility to house "three distinct blocks": an Inpatient Tower, a Diagnostic/Therapeutic Wing, and an Outpatient/Ambulatory Care Block. The hospital was reported to contain 20 Operating Rooms. In the "Osler Connection" Spring 2003 issue, without noting the change, the building plans show only two buildings: a North Building and a South Building and report that the facility will contain 18 Operating Rooms. By the time of the opening, the "Brampton Civic Hospital Guide" of October 2007 reports that there are 12 Operating Rooms in the two building facility, with a "ramp up" plan to 18 Operating Rooms listed under "Future Capacity". (See Appendix for copies of the plans.)

Cost Increases and Size Reductions In Their Own Words cont'd...

CNW: News Release: McGuinty Government Investing Additional \$34 Million To Ensure Completion Of New Brampton Hospital, Dec. 22 2006

The McGuinty government is investing \$34 million to help the William Osler Health Centre finish building its new 608-bed Brampton Civic Hospital site, Health and Long-Term Care Minister George Smitherman announced today....The funding announced by the government today includes: - \$24 million in capital funding for the William Osler Health Centre to provide equipment and related accommodation, such as electrical fixtures and building structures for the new Brampton Civic Hospital. - \$10 million in operational funding to assist the hospital with costs related to transitioning to the new hospital site.

Brampton Guardian "Fundraising for BCH in dire trouble" Peter Criscione 01/24/07

However, Fennell said the price tag first laid out was always considered "a moving target" and that Queen's Park has yet to fill Brampton in on how much this 1.2 million-sq.-ft. facility is actually going to cost. "We have to come up with one-third of a yet-to-be determined real number," Fennell said. Also, Fennell said the province is being tight-lipped about the number of beds that are going to be housed at the north Brampton location. Both the province and members of the local health care community have said Brampton Civic's 608 beds would be in addition to the 300 at Peel Memorial. However, as the opening date draws closer, Fennell said it's not clear whether Brampton Civic will provide 300 more beds, or if the beds will have to come from the old site. "Is Brampton getting a new hospital or a new address? As the mayor I can't get an answer", >

Project Delays

Timeline of Projected Completion Dates for the New Hospital

December 2001 - New hospital announced, to be completed in 2005.

August 2003 - Project Agreement negotiated between hospital/province and consortium set completion date of June 30, 2006

January 2004 - Project Agreement amendments set new completion date of October 16, 2006

June 2004 - A leaked document from the hospital Board revealed the consortium was demanding another \$22 million before the project could move forward.

August 2004 - Project Agreement amendments set new completion date of July 3, 2007

October 2007 - Hospital CEO proudly announces hospital is open "on time and in budget"

Public Claims By Government and Hospital Officials:

Brampton is one step closer to getting a second hospital as the Request for Qualification (RFQ) process is completed....The RFP will begin shortly and representatives from WOHC said the final contract for the construction of the new building will be awarded in the spring.... The final cost will be announced in the spring. *Brampton Guardian, October 25, 2002* (The latest cost was revealed in March 2007 at \$650 million.)

More than 40 years of waiting is finally over for Brampton as the community celebrated the ground breaking for the new Brampton hospital yesterday. Residents applauded as Minister of Health and Long-Term Care Tony Clement proudly announced that, by the year 2005, a multi-layered building housing 608 medical beds will be standing in place of the vacant piece of land at the corner of Bramalea Road and Bovaird Drive. "We, here in Brampton, cannot wait," shouted Clement. "This is the actual start of the building." *Brampton Guardian, July 3, 2002* (Construction actually started in November 2004.)

While construction for the community's Publicly Privately funded (P3) hospital will be completed by the end of 2005, patients won't be receiving care until the following spring, said Altaf Stationwala, vice president of patient services for WOHC....The announcement took Brampton councillors by

Cost Increases and Size Reductions In Their Own Words *cont'd...*

...Fennell told Peel council. "We are supposed to be getting Brampton's second hospital. But are we getting a new address, a new design? I have not had anybody confirm otherwise."

Richards said the project would come in on budget and on time, and that the government has to consider a number of factors before announcing the final price tag. **Richards also warned that the future of Peel Memorial would be up in the air if residents don't come up big. "The other aspect is until Brampton Civic is a vibrant, well-run full hospital, Peel Memorial's future is uncertain. Until those 608 beds are up and running, you are not going to try and operate two empty houses..."**

Brampton Guardian "New hospital will open with only 350 beds" Peter Criscione 01/26/07 William Osler Health Centre president and CEO Bob Richards said BCH will open with the 350 beds currently at Peel Memorial Hospital....The plan is Peel Memorial will shut down for renovations once the new hospital is open. ...When the renovations are complete, the Lynch Street building will then be put back online as an ambulatory care facility. However, Smitherman said the reopening of Peel Memorial would depend on how the financial situation unfolds at the north Brampton facility.

continued >

surprise during the Mayor's Healthcare Partnership meeting held yesterday....As a result, mayor Susan Fennell sarcastically asked the city's Legislative Coordinator to change the banner that runs across the top of the meetings agenda from 2005 to "New Hospital Opening - 2006"...."We are anticipating financial close of this arrangement sometime mid September, and then we will begin construction at that point," said Catherine Shaw, chief development officer for WOHC, adding this process takes time....Stationwala said it takes six to eight months to commission a building and to test all of the equipment. "So our time lines haven't changed it's just our definition of what is complete," he said. *Brampton Guardian, July 16, 2003*

(Construction was actually completed in the summer of 2007.)

McGuinty announces that hospital deals have been renegotiated, contract details will be released by December - "*Ont. government remakes hospital deals, private firms will still build them*" by Keith Leslie, *Canadian Press, 21 November 2003*

(Contract details and associated documents were not fully revealed until the spring of 2007).

Construction of Brampton's \$420 million, 600-bed hospital will proceed on schedule, and will open in 2006 as a publicly owned and operated facility, Ontario Health Minister George Smitherman says. *Toronto Star, November 22, 2003*
(Costs increased to \$650 million and the hospital did not open until October 2007.)

Bob Bell, WOHC CEO said, "we want to assure the community that the commitment to build the new hospital by 2006 remains in force" and he is anticipating construction will resume on the site in the spring....Hospital officials promised to have the delayed project agreement made public within the next few weeks. *February 18, 2004 Brampton Guardian*
(The project agreement referred to here was released in heavily redacted form in the spring of 2005, the full Project Agreement was not revealed until the spring of 2007.)

It had been revealed, in June 2004, that the consortium wanted another \$22 million in order to begin construction. Although initial reports blamed a court challenge to the P3 model for this cost increase, Bob Bell attempted to set the record straight:

He stressed the financial close has nothing to do with the timing or outcome of the court case. It's the project's third amendments currently in the works between WOHC, the Ministry of Health and THICC [the private-

Cost Increases and Size Reductions In Their Own Words

cont'd...

Brampton Guardian "479 beds for new hospital" Peter Criscione March 29, 2007

Residents will have access to 479 patient beds when the doors to Brampton Civic Hospital open later this year, *The Guardian* has learned. Ontario Health Minister George Smitherman was slated to announce the Liberal's rollout plan for this city's new hospital today. In his address at BCH, Smitherman was expected to commit an additional \$100 million toward capital and operating costs...

News Release Ministry of Health and Long-Term Care March 30, 2007 Brampton Civic On-time Opening Ensured by New \$114 Million Investment from McGuinty Government

Smitherman announced today the government is....investing an additional \$101 million in capital and \$13 million in one-time operating funds....This fall, the Brampton Civic site of the William Osler Health Centre will open with 479 beds....The total number will increase to 527 in 2009/10, 570 in 2010/11, and 608 in 2011/12.

Metroland - Brampton Division "Another \$127M has to be raised for new hospital" Pam Douglas June 1, 2007

... As for the new hospital, [Hospital CEO Bob] Richards told city councillors at Wednesday's council meeting that the keys to the building will be handed over to hospital officials July 3, and the hospital is still expecting its first patient on Oct. 28. **The "ramp-up" to 608 beds from the current 366 will take four to five years, according to Richards....**The total cost of the hospital is pegged at \$821 million, according to Richards. >

sector consortium] that have to be completed before things can move forward. Bell described it as a "complicated transaction," adding he hopes it is resolved soon but could not give any specific dates. "I am not in a position to even really comment on this," said Bell. He does not want residents to think WOHC is hiding something, but added the building schedule is in THICC's hands. "One has to remember what this agreement is all about, we contracted to have a hospital built, they are the builders, contractors. They have to determine when they are ready to start building." Sabrina Divell, Brampton Guardian/Metroland Papers May 21, 2004

Premier Dalton McGuinty came here right after the election and said, "It (the new hospital) will proceed without delay," added the Mayor, pointing out six months later there still is no construction on the site...."There is a crisis in our community," she said. "We waited 20 years for this decision." Bob Bell, WOHC's CEO, said, through the mayor's leadership, he hopes this campaign will result in a "greater sense of community pride, ownership and commitment to the hospital that Brampton has and Brampton needs." Right now, The Healthcare Infrastructure Company of Canada (THICC)– the private company selected to build, finance and run a variety of non-medical services in Brampton's new hospital– is holding the "go key", said Bell. "We are in the financing stages and they (THICC) really are the ones that determine the timing of the financing (and start of construction)." *Brampton Guardian July 16, 2004*

March 30, 2007 - McGuinty government announces the hospital will open "on time" in the fall of 2007 in a news release "*Brampton Civic On-time Opening Ensured by New \$114 Million Investment from McGuinty Government*"

Cost Increases and Size Reductions In Their Own Words cont'd...

Brampton Guardian "City Says No to Closing PMH" Pam Douglas June 17, 2007

Fennell and city councillors passed a resolution Wednesday demanding the Ontario government "properly address the health care needs of the City of Brampton"....Fennell was reacting to comments made to *The Brampton Guardian* by Richards following his appearance at the last council meeting. **Richards stressed the funding plight faced by Brampton Civic Hospital and said the community's share of the cost to build the new hospital has to be paid before any plans to redevelop PMH could be realized. "This is the first time we have had it said publicly that if you don't pay for one, you won't get the other," Fennell said Wednesday.**

Metroland - Brampton Division "PMH will remain open promises Ontario premier" Letter from Dalton McGuinty July 4, 2007

...Your new Brampton Civic Hospital will be open in a few months. Your new state-of-the-art hospital, the biggest in Canada, will nearly double hospital bed capacity in the community and can accommodate an amazing 90,000 emergency department visits every year. **Our government, on behalf of Ontarians, is pleased to invest \$589 million in construction costs for this new facility** to ensure the people of Brampton have access to the best health care. Bramptonians have expressed concerns directly to me about the future of the Peel Memorial Hospital in downtown Brampton. **I want to reassure the people of Brampton that Peel Memorial Hospital will stay open and will continue to deliver essential health care services. As Minister of Health, George Smitherman, announced in October 2005, the Peel Memorial Hospital will be redeveloped, starting in 2009. Peel Memorial will be home to a modern facility providing outpatient and ambulatory services to patients every day.** continued >

What Happened Behind the Scenes

Overview & Timelines

August 2003 - draft Project Agreement reached between Harris/Eves government and the P3 consortium. Costs increase to \$420 million.

November 2003 - provincial election, Clement loses his seat in Brampton, McGuinty government is elected.

November 2003 - Project Agreement amended to delay financial close until January 2004.

January 2004 - amended Project Agreement reached between McGuinty government and the P3 consortium. This agreement left virtually all of the previous Project Agreement intact. Costs increase to \$530 million.

August 2004 - amended Project Agreement delayed construction completion by another 8 ½ months. One planned building is axed from the plans (ambulatory care centre) and costs increased to \$550 million, then later to \$650 million. Bed totals decrease from 608 to 350 then 479.

November 2004 - Financial Close.

October 2007 - Building complete and open.

Internal documents reveal some of the background negotiations during the time period of 2003 - 2006. Notably, the hospital itself still planned for a total of 720 beds by the time of the provincial election in November 2003. A draft Project Agreement was reached by the hospital and the consortium in August 2003. By November 2003, officials were publicly stating the cost would be \$420 million for the 608-bed new hospital.

At the end of January 2004, an amended project agreement was signed. After January, however, details about why the consortium and hospital did not reach financial close become more murky. In this period, officials made public the increased costs of \$536 million, then the leaked document in which the consortium demanded another \$22 million was revealed. By summer the costs were at \$550 million. A final amended project agreement took until August 2004 to sign, and the construction deadline was delayed by a further 8 ½ months. Financial close occurred in November 2004. In January 2007, Health Minister George Smitherman revealed the new hospital would have 350 beds upon opening.

Cost Increases and Size Reductions In Their Own Words *cont'd...*

Metroland - Brampton Division
"Government clarifies PMH stand; Redevelopment of PMH not scheduled until 2009" Peter Criscione Wednesday, July 18, 2007

Ontario Premier Dalton McGuinty may have said Peel Memorial Hospital will not close at all but the plan still calls for the Lynch Street site to shut down for at least 15 months before renovations begin....**In a recent interview with The Guardian, Brampton Mayor Susan Fennell said McGuinty "absolutely confirmed Peel Memorial was not to close for a single day."** The statement attributed to the Premier caused a bit of a stir with local hospital officials, who promptly issued a statement to staff claiming no knowledge of a change in plans. **"You may have read that Peel Memorial Hospital will 'not close for a single day'. I am writing to share with you that we have had no notification from the Ministry of Health & Long-Term Care that Peel Memorial is to remain an operating hospital after October 28, nor have we been granted any additional operational budget that would enable us to do this," stated Bob Richards, William Osler Health Centre President and CEO. "We are still preparing for a redevelopment of Peel Memorial in the 2009/2010 timeframe."**

Metroland - Brampton Division
"Hospital president says thanks" Wednesday, November 14, 2007
I would like to thank the community for its support of Brampton Civic Hospital (BCH), which opened on time and on budget on Sunday, Oct. 28. We are pleased to be able to serve you in our newest facility and appreciate your patience as we adjust to our new environment... (Letter from Hospital President)

Many claims have been made about the changes that were taking place in the negotiated agreements. Various, the McGuinty government has claimed that the Brampton P3 has been taken into public hands and the P3 contracts had been cancelled, then later, as evidence surfaced that the hospital was still a P3, they claimed that the deal was not theirs, but the fault of the previous Harris/Eves regime. At the same time, they renamed the P3 program "Alternative Financing Mechanism" (AFM). In truth, both governments negotiated significant portions of the final P3 deal. The changes proposed by the McGuinty government left in place most of the already-negotiated Project Agreement (August 28, 2003) drafted under the previous government. But from then until the amendments to the Project Agreement prior to financial close reached in August 2004, all the changes to the cost and size of the deal were the result of McGuinty government negotiations.

The main changes, which led to the inflated claims by the McGuinty government that the hospital was now "public", "transparent", and accountable" occurred in the January 2004 amendments to the Project Agreement. They included changes that government lawyers said would not vary the risk allocation or financial arrangements between the parties. These changes enabled disclosure of the redacted version of the Project Agreement by the government, but with significant information blocked out, thereby continuing the secrecy of the P3 documents until the court order in May 2007. They also included a lease and sub-lease agreement that would allow the government to claim public title - which they renamed "public ownership and control", and amended the agreement to improve the ability to intervene more quickly in response to shortfalls in the private consortium's operation of the hospital.

These changes, combined with the inability of the private consortium and hospital to reach financial close, delayed the project only three months - from October to January. The construction completion date was delayed by a concurrent three months - from June - October 2006. What happened thereafter to cause the further sets of amendments to the Project Agreement, the size of the planned facility and financial terms of the deal is not yet public.

William Osler Health Centre Briefing Note: October 31, 2003

The details of planned hospital beds is illustrated in the following table:

William Osler Health Care	Current # Beds	Planned/Directed #Beds
Lynch Site	Acute Health.....283 Other: Mental Health.....68 Rehabilitation.....69 CCC.....110 Total.....530	Continuing Complex Care (CCC).....112
Bovaird Site	Beds.....0	Acute: Medical/Surgical.....304 Critical Care.....36 Paediatrics.....26 Maternal Newborn.....38 Total.....404 Other: Mental Health: Adult.....81 Mental Health Child/Adolescent.....14 Rehabilitation.....64 Transition Beds.....45 Total.....204 Grand Total608

Amendment to Project Agreement: November 27, 2003

Hospital CEO Bob Bell wrote a note amending the Project Agreement to THICC to allow the financial close to move to January 28, 2004 without penalty.

Excerpt from Minister's Briefing Note MOHLTC: December 22, 2003

On October 9, 2003, the parties to the project agreement agreed to extend the financial close date from the original target date of October 15, 2003 to November 27, 2003. WOHC has since agreed with the consortium to extend the financial close target date to January 28, 2004 to enable the consortium to fulfil its conditions of financial close.

Amending Agreement No. 2 also includes other amendments some of which are consequential to the ministry's required changes while others are new. These include:

- Completion date has been changed from June 30, 2006 to October 16, 2006;

Letter from George Smitherman to WOHC Board Chair: January 9, 2004

Re. Amending agreement to PA dated January 28, 2004 - a new lease and sublease structure requiring the WOHC and THICC each to pay one another \$1 was added to the Project Agreement. The MOH was allowed to disclose performance of THICC and a severely redacted version of the project agreement, but secrecy of commercial documents, technical, commercial, financial and labour arrangements and the corporate and commercial relationships in THICC were maintained in the agreement, despite the MOH's claims that transparency would be achieved. Date for completion was amended to October 16, 2006.

Amending agreement to the Project Agreement: August 9, 2004

Amendments made to specifications, insurance, financial agreements. Financial close amended to be November 29, 2004. Date for construction completion amended from October 16, 2006 to July 3, 2007.

Fundraising Cost Increases

Reported community fundraising target in 2003: \$60 - \$100 million

Final community fundraising target reported in May 2007: \$270 million

Ontario's hospitals are built through a funding agreement between the provincial government and the local hospital. The local hospital is required to raise a percentage of the capital costs required for the new facility. One of the selling points used by Tony Clement and Bob Bell (former WOHC CEO) to promote the P3 model was that the community would have the entire duration of the contract (then projected to be 30 years) to raise their share of the cost.

At the beginning of the negotiations with the P3 consortium in 2003, the community share was projected to be \$60 - \$100 million¹⁰, and is reported to be 30% of the total cost. By the end of the deal, the story had changed considerably. In June 2006, hospital officials revealed that the total fundraising goal was \$240 million.¹¹ In January 2007, the Mayor reported that the fundraising share was "a moving amount" and the community was required to come up with 30% of a yet-to-be determined total cost.¹² In May 2007, hospital CEO Bob Richards announced that the total hospital capital costs, including equipment, had risen to \$900 million and the community fundraising total had more than doubled from initial projections to \$270 million.¹³

Hospital CEO Bob Richards told City Council that if the remaining share of the local fundraising was not raised by the autumn of 2007 when the new hospital opened, the hospital board would be required to borrow money and the debt servicing costs would lead to operational service cuts. In a particularly ironic quote (given the P3 financing model) Richards told city council, "For every \$1 million cut out of the budget to pay those debt charges is the equivalent of 10 nurses that can't be hired".¹⁴ The claim that the community had decades to raise their share was definitively put to rest with the report of a telephone call between the hospital CEO and a reporter at the local paper as follows:

"The frustration in hospital CEO Bob Richards' voice is palpable, even over the phone. The hospital's fundraising campaign is faltering and time is running out....The community must come up with \$127 million more to pay the bills and pay off the cost of construction, or the hospital's already overtaxed, underfunded budget is going to have to shoulder the financial burden. That means giving up millions of dollars just to pay off the debt, and that is money that should have been spent on health care services." Metroland- Brampton Division "Where is all the money?" June 3, 2007

Cover Up

Despite the demonstrable secrecy, reduction of hospital bed capacity, massive cost overruns, and a P3 model that requires the cooperation of a multinational for-profit consortium in order to provide every piece of clinical care, as late as mid-December 2007, Health Minister George Smitherman tried to downplay the nature of the hospital model and the connections between the high costs of the P3 and the reduced hospital bed capacity planned for the Brampton community:

“In rejecting a call for an inquiry [into patient deaths at the new P3 hospital], Smitherman said the NDP is “trying to make the construction of the hospital an issue in the provision of care and the circumstances of an individual patient. It seems like a pretty substantial stretch. That new hospital is publicly owned, publicly controlled and it’s publicly accountable.” He said it’s the hospital’s obligation to “enhance the quality of care.” Metroland - Brampton Division “Minister has no plans to investigate death at BCH, December 7, 2008

In fact, the evidence shows that the project has been obscured from appropriate public scrutiny by the government’s decision to keep secret many of the key documents related to the P3 contract until a court order in the spring of 2007 and misleading claims from two successive governments and various hospital officials.

1. The various claims that there is no privatization, that this hospital is not a P3, or that the privatization is insignificant, are demonstrably false. The Project Agreement - including all amendments - makes clear that the hospital is a P3 and involves significant privatization including the financing and operations of the hospital. The hospital services - from patient records to security, food, IT, cleaning, portering and others - are all privatized and bundled into the real estate contract. This was not the case at the former hospital, nor at any Ontario hospitals. In addition, the private sector has significant control over the lands and the facility for commercial development for the duration of the deal as detailed in the Project Agreement.
2. The claim that the new hospital is “on time” and “in budget” is demonstrably false. Cost increases amount to 186% and delays of more than 2 years are detailed in earlier sections of this report.
3. The claim that documents would be released, that there is public accountability and transparency are demonstrably false. Tony Clement claimed to reveal a Value for Money assessment prior to the election in 2003, but the document he released was a partial version of a summary of the initial value for money that was under serious question by government-appointed independent consultants. The only public meeting on the project plans, held by Tony Clement after lots of pressure, involved security guards searching the public as they entered the room. The audience was required to sign in and show I.D., and questions had to be submitted upon entrance. After massive public pressure to stop the secrecy, the provincial government released a severely redacted (blocked out) version of the Project Agreement in 2004. The hospital took steps to make it difficult to see even this version of the documents, forcing those who wanted to view the documents to make an appointment, restricting visits to two people for one hour at a time in a high-security building where viewers were required to sign an agreement not to copy any part of the documents. The details of the project were only revealed publicly after a court order in the spring of 2007 forced the provincial government and the consortium to file the documents with the court.

4. The claim that the deal is the responsibility of the Harris/Eves government is demonstrably false. The disclosed documents show the original project agreement and its amendments, as negotiated by both the Harris/Eves and the McGuinty governments.

5. The claim that promises are being kept regarding the redevelopment of the Peel Memorial hospital is demonstrably false. The Peel Memorial redevelopment as a hospital with 112 beds was cut after the 2003 provincial election and the cost increases of the P3 project. It is now clear that there are no current plans to redevelop the facility as a hospital.

6. The claim, made by hospital CEO Bob Richards to the national media that the cost increases were caused by a movement of the new hospital plans from the Lynch Street site to the Bramelea/Bovaird site is demonstrably false. The new site was obtained long before the project was even put out to tender. The Project Agreement and public announcements show that the cost increases and size reductions occurred in negotiations with the private consortium through 2003 - 2004 and there was no change to the planned site at any time from the original P3 announcement in 2001 to the completion of the new hospital in 2007.

For the Record

From the Ottawa Citizen, Wednesday, May 28, 2003, Rod MacIvor:

1. "What I take issue with is the mechanism. We believe in public ownership and public financing (of health care). I will take these hospitals and bring them inside the public sector." *quote from Liberal leader, Dalton McGuinty. The article continues:*

"Mr. McGuinty warned recently that if the Liberals are elected in the provincial election now expected in the fall, they will stop private sector financing of hospitals, the so-called P3s, which the Conservative government is pushing as the way of the future.

"Mr. McGuinty believes that public-private sector partnerships in health care would ultimately cost the province more money than traditional arrangements. He says such arrangements would be discontinued and the hospitals returned to full public ownership."

> Globe and Mail, September 26, 2003, quote from Dalton McGuinty:

"I'm calling on Mr. Eves to halt any contract signings when it comes to P3s in the province of Ontario," the Liberal Leader said yesterday during a campaign stop in Kitchener. "I stand against the Americanization of our hospitals. Mr. Eves does not have a mandate. He never received a mandate at the time of the last election. He shouldn't be doing these secret deals under cover of a provincial election campaign."

> Toronto Star, Friday, October 3, 2003, Frank Calleja:

Quote from Linda Jeffrey, victorious Liberal MPP Brampton Centre: "The hospital was huge in my estimation. I will do everything I can to make sure that health care in Brampton remains publicly funded," Jeffrey said.

> Ottawa Citizen, Thursday, October 3, 2003, Greg McArthur with files from April Lindgren:

"I'll tell you one thing, and this is important news for the people of Ottawa, we're going to move ahead with that hospital as soon as possible," Mr. McGuinty said yesterday. "But I am not going to do it in the form of a private hospital. I want a public hospital for our city."

> Ottawa Citizen, Wednesday, September 24, 2003, Dave Rogers:

"Ontario Liberal leader Dalton McGuinty has said the ROH expansion will go ahead because Ottawa needs a new psychiatric hospital, but a Liberal government would cancel the deal with the private consortium because public-private partnerships are a waste of money."

> From Hansard, May 21, 2003, Oral Questions, Private Hospitals, Sandra Pupatello to Tony Clement:

"My question is for the Minister of Health. Minister, last week we learned that a preferred bid has been selected for the private hospital plan at William Osler Health Centre in Brampton. From this it's clear that you've decided to push forward with your plans to privatize health care in this province. You still have not tabled any evidence to suggest that this is cheaper, faster or safer for the public in Ontario, and yet you still press forward....Minister, will you agree to stop plans to privatize our hospitals, freeze this contract process and go to the people in an election so that they will tell you they do not want to privatize?"

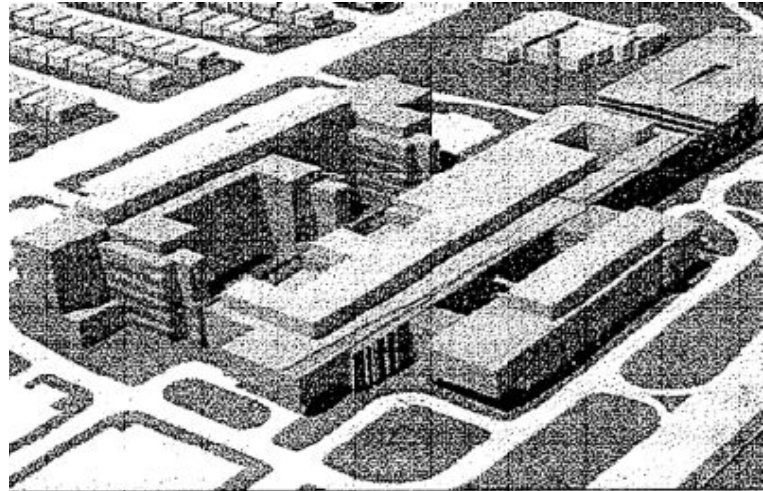
Endnotes

1. British Medical Association Journal, 2000;320:461-462 (19 February)- full article in appendix.
2. Ibid.
3. Schedule 28 of the Project Agreement released in March 2004.
4. Ibid.
5. Leaked WOHC Hospital Board Meeting records, May 17, 2004.
6. Brampton Guardian "New hospital will open with only 350 beds" Peter Criscione 01/26/07.
7. News Release Ministry of Health and Long-Term Care March 30, 2007 Brampton Civic On-time Opening Ensured by New \$114 Million Investment from McGuinty Government.
8. Terms of Reference, Central-West Local Health Integration Network (LHIN) Taskforce Meeting, December 2007.
9. Halton Peel District Health Council, "Regional Hospital Infrastructure Plan for Halton and Peel" January 27, 2003.
10. Brampton Guardian "Builder selected for new hospital" Sebrina Divell 05/14/03.
11. Metroland- Brampton Division "Hospital needs help from residents; Community needed" Heather Ennis 06/11/03.
12. Metroland- Brampton Division "Fundraising for BCH in dire trouble; Community not supporting city's new facility" Peter Criscione 01/24/07.
13. Metroland- Brampton Division "Hospital pricetag rises to \$900-M; Community fundraising obligation more than doubled" Peter Criscione 05/25/07.
14. Metroland-Brampton Division "Another \$127M has to be raised for new hospital; Fundraising for new hospital is coming up short" Pam Douglas 06/01/07.

Appendix I - Changes to the Size and Capacity of the New Hospital

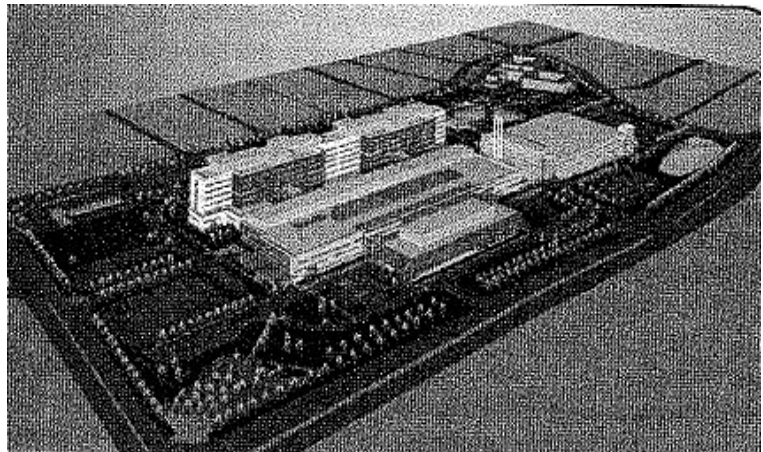
From "Osler Connections" newsletter 2002

The newsletter describes three clinical care buildings: "three distinct blocks; an Inpatient Tower, a Diagnostic/Therapeutic Wing with a state-of-the-art Emergency Department, and an Outpatient/Ambulatory Care Block. It will house 608 beds and 20 operating rooms...."



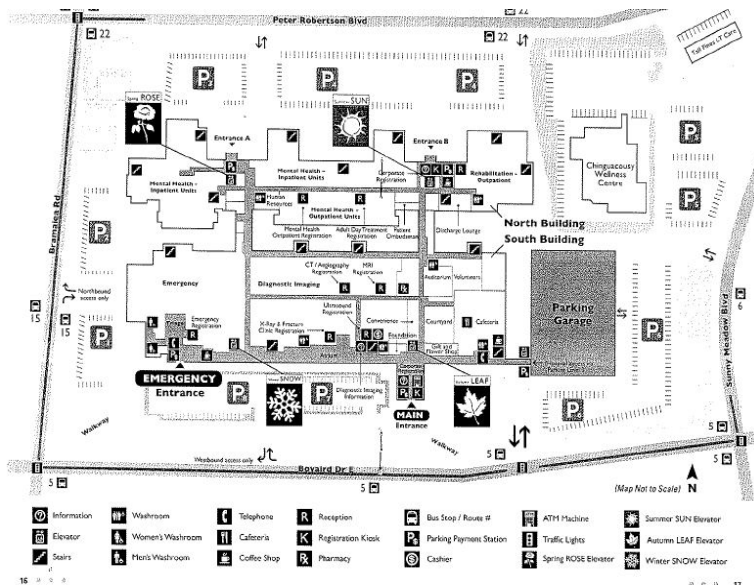
From "Osler Connections" newsletter 2003

Without noting the difference, this picture shows a redesign of the plans. Again, without noting the difference, the remaining two buildings are described as housing 608 beds with 18 operating rooms this time. The third clinical care building was removed from the plans to deal with "financial pressures" the hospital CEO revealed to the media more than a year later. He said the changes did not impact patient services.



From an information circular delivered to Brampton households in 2007. The picture shows the two clinical care buildings as per the redesign. At this point, the hospital opened with 479 beds, at nearly double the cost.

Though it was never noted publicly, the latest version "Brampton Civic Hospital Guide" shows the new hospital houses 12 operating rooms - not 20 - with a plan under "Future Capacity" to ramp up to 18 operating rooms. (Brampton Civic Hospital Guide October 2007)



From "Brampton Civic Hospital Guide"

October 2007 page 5.

The number of beds is now 479 and the number of Operating Rooms is 12 with a future capacity plan of 608 and 18 respectively. These are the concrete measures of the building's capacity. All the other capacity numbers are dependant on whether or not the health human resource capacity is available.

	Peel Memorial Hospital*	Brampton Civic Hospital**	
		Opening Day	Future Capacity
Beds (staffed and in operation)	366	479	608
Births	4,350	4,700	+ 5,000
Operating Rooms	9	12	18
Surgical Inpatient Cases	4,916	6,000	+ 11,400
Day Surgery Cases	11,423	12,000	+ 24,000
Emergency Dept: Visits	76,500	80,000	+ 90,000
Ambulatory Visits	155,000	201,000	+ 328,000
Staff	2,300	2,750	+ 4,000
Physicians	380	425	+ 440
Volunteers	500	550	+ 800
Total Size	0.6 M sq ft	1.34 M sq ft	1.34 M sq ft

* Based on actual fiscal year ending March 31, 2007

** Based on Ministry approved projections as of June 2007



Appendix II - Predictability and Evidence of Bed Reductions Due To P3 Model - British Experience

British Medical Journal 2000;320:461-462 (19 February)

Editorials

Beds in the NHS

The National Bed Inquiry exposes contradictions in government policy

News p 463

January was a tough month for British health ministers, as a flu epidemic put the inadequacies of the NHS on the front page of most newspapers, but then it's been a tough two decades for patients and staff in the NHS. The political remedy for the chronic underfunding of the NHS has been perpetual revolution through reorganisation. Recent acute hospital and NHS service reconfigurations around Britain show how management and political reputations have been staked on exploiting the apparently bottomless pit of clinical productivity to fund investment. But judging by rising waiting lists, growing patient dissatisfaction, and low morale among staff, modernisation appears to be a recipe for reducing capacity and loss of service. A government inquiry has now provided the hard data to confirm this impression

The National Bed Inquiry, commissioned in 1998 by the Secretary of State for Health to test the hypothesis that bed closures had gone too far, was finally published last week in the form of a consultation document and supporting analysis. 1 2 The consultation document, *Shaping the future NHS: long term planning for hospital and related services*, shows not only that there is little scope for productivity gains but also that there is no spare capacity in the NHS.1 The current system cannot keep pace with need. The report projects that up to 2003-4 an increase of 2000 (1.4%) general and acute beds and 2000 intermediate care beds will be required for the NHS along with 1000 extra general practitioners and unspecified numbers of nursing and home help staff.

The expansion in staff and bed numbers is modest. More importantly, however, the report leaves a policy paradox on which the bed inquiry is curiously silent about what Alan Milburn has described as the "the largest ever hospital building programme in the history of the NHS." Financed under the private finance initiative this programme is associated with reductions in acute bed provision of around 30% and cuts in operating budgets and staff numbers of up to 25%. In the 11 first wave hospital schemes financed through the initiative over 2500 beds will be lost over the next five years. 3-6 For example, the scheme for the Worcester Royal Infirmary NHS Trust is based on "forecasts of future performance which show that the trust will have too many beds." It proposes a reduction in number of acute inpatient beds of 28% against an increase in finished consultant episodes from 1995-6 to 2000-1 of 13%.7 Nationwide there are 32 such major schemes in progress.

But, as the beds report shows, not only have acute bed numbers remained static against rising caseloads over the past five years, but also increases in clinical productivity, measured by length of stay, throughput, and bed occupancy, have come to a virtual standstill. Of the planning assumptions which underpin the 32 new replacement hospitals to be built under the private finance initiative the report says: "on the evidence of recent trends and the other material we have collected, service configurations based on assumptions about major bed reductions are unlikely to be (safely) attainable unless expanded intermediate and community services are put in place."2

The government has the immediate problem of reversing the reduction in bed numbers, staff, and operating budgets brought about by its current policy of financing new investment through private funding. In an attempt to do so it presents in the consultation document three scenarios for a 20 year investment strategy for NHS acute beds (recognising that most of these serve older people), on which it is inviting comments.

Each has echoes of current public consultations on hospital reconfigurations. The first option maintains the current direction but requires an increase of 8000 (6%) NHS general and acute beds and 30 000 overall. The second envisages an increase of 35 000 (26%) NHS beds, with 22 000 more "intermediate" nursing and residential care beds. The third option, which fits with current policies, again envisages a doubling of day cases but a total reduction in NHS general and acute beds of 12 000 (8.5%) to be offset by an expansion in intermediate care beds in the sector which currently provides mainly private nursing and residential care. The supporting analysis² appears to indicate that areas with higher rates of institutional long term care provision and district nursing have lower rates of acute admissions and better discharge policies. But some separately commissioned papers included in the report show that the evidence is weak at best that hospital at home and other early discharge schemes reduce overall hospitalisation and the need for acute hospital beds. Similarly, the evidence that primary care services substitute for secondary care is insufficient.²

Crude as they are, beds are an indication of patterns of provision, staffing levels, resources, and service capacity across the NHS. In the great wave of privatisation which took place under the Conservative administration of the 1980s NHS rehabilitation, convalescent, and long term care beds vanished and so too did the care staff, the services, and the resources. NHS continuing care provision is reduced to a handful of beds in many health authorities and subject to stringent eligibility criteria. For the 400 000 plus frail and vulnerable people living in mainly private institutions in England the "poor law test" applies: care is a private responsibility substantially outside the remit of the NHS. Older people, who will be among those most affected by policies which bring "care closer to home," will be concerned to ensure that the current unfairness in the system identified by the Royal Commission is not exacerbated by the failure to identify the source and amount of funding and the location of staff and services.⁸

In the immediate term the report calls into question the entire basis of the Treasury's capital investment strategy for the NHS. The introduction of the internal market in 1991, together with the introduction of the capital charging regime, annual efficiency savings of 3%, and the private finance initiative are all policies designed to release funds for investment by eliminating surplus capacity and increasing clinical productivity.⁹ The National Bed Inquiry is an important watershed. Will the government have the courage to embark on the policy U turn the evidence now requires? Or will the report simply become a blueprint for the expansion not of the NHS but of private health care?

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continued from previous page...

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2. Department of Health. Shaping the Future NHS: long term planning for hospitals and related services. Consultation document on the findings of the National Beds Inquiry: supporting analysis. London: Department of Health, 2000.
3. Gaffney D, Pollock AM. Can the NHS afford the private finance initiative? London: BMA, 1997
4. Gaffney D, Pollock AM, Price D, Shaoul J. NHS capital expenditure and the private finance initiative expansion or contraction? *BMJ* 1999; 319: 48-51[Free Full Text].
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6. Pollock AM, Dunnigan MG, Gaffney D, Price D, Shaoul J. Planning the "new" NHS: downsizing for the 21st century. *BMJ* 1999; 319: 179-184[Free Full Text].
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Appendix III - List of Hospital P3s Announced To Date

From Infrastructure Ontario website January 6, 2008 - these are in addition to the Brampton Civic Hospital P3 and the Royal Ottawa Hospital P3 which have been completed.

Current Projects

1. STATUS

[Durham Consolidated Courthouse](#)

[Hamilton Health Sciences - Hamilton General Hospital](#)

[Montfort Hospital](#)

[North Bay Regional Health Centre](#)

[Quinte Health Care](#)

[Rouge Valley Health System](#)

[Roy McMurtry Youth Centre](#)

[Runnymede Healthcare Centre](#)

[Sarnia Bluewater Health](#)

[Sault Area Hospital](#)

[St. Joseph's Health Care, London \(Phase 1\)](#)

[Sudbury Regional Hospital](#)

[Sunnybrook Health Sciences Centre](#)

[Trillium Health Centre](#)

Projects Under Construction

Winning Bidder Named

[Hamilton Health Sciences - Henderson General Hospital](#)

[The Ottawa Hospital Regional Cancer Program](#)

**Request for Proposals Closed -
Submissions Under Review**

[Credit Valley Hospital](#)

Request for Proposals Open

[Kingston General Hospital](#)

[London Health Sciences Centre/St. Joseph's Health Care, London \(Phase 2\)](#)

[New Data Centre](#)

[Niagara Health System](#)

[Toronto Rehabilitation Institute](#)

Short Listed Proponents Named

[Woodstock General Hospital](#)

[Ontario Highway Service Centres](#)

Request for Qualifications Closed

[Hamilton Health Sciences - McMaster University Medical Centre \(MUMC\)](#)

Request for Qualifications Open

[Bridgepoint Health](#)

[Lakeridge Health](#)

[Royal Victoria Hospital](#)

[Windsor Regional Hospital](#)

Pre-Tender

[Centre for Addiction and Mental Health](#)

[Halton Healthcare Services](#)

[Humber River Regional Hospital](#)

[Markham Stouffville/Toronto Grace Hospital](#)

[Oak Ridge Facility](#)

[St. Joseph's Health Care - Hamilton](#)

[St. Joseph's Health Care - Parkwood Hospital](#)

Waterloo Region Courthouse

[West Lincoln Memorial Hospital](#)

[Women's College Hospital](#)