



FOR IMMEDIATE RELEASE

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Report questions RAV "performance payment" financing scheme

BURNABY – Serious questions about the province's "performance payment" financing scheme for the Richmond Airport Vancouver (RAV) rapid transit line have been raised in a report by a private consultant who previously worked for the Office of Canada's Auditor-General. The report, commissioned by CUPE, is being delivered to TransLink directors and provincial and federal governments today.

In his report the consultant, Lewis Auerbach, raises concerns about whether the province is choosing an option that is the lowest cost for taxpayers and whether the province is attempting to convey "the impression that the province's financial obligations are lower than they actually are."

Auerbach suggests that in the absence of sufficient publicly available information, BC's Auditor General may want to obtain the information required to report on whether the "performance payment" financing scheme:

- costs more to taxpayers in the long-term;
- involves significant risk transfer to the private RAV partner; and,
- has the transparency required by the *Budget Transparency and Accountability Act* for reporting provincial obligations.

While all contributing partners to the construction of the RAV line are being asked for their money up front, the province will only provide half of its \$300 million contribution in 2007 and the remaining \$150 million will be paid out over 30 years and characterized as "performance payments". The province's intention is to count this as a continuing operating expense, rather than as debt.

"If it looks like debt, and acts like debt, then maybe it really is debt," says Auerbach of the financing scheme.

CUPE BC President Barry O'Neill said, the private partner will need to borrow, at rates higher than government borrowing rates, an additional \$150 million up front, and then will probably have to use a large portion of the province's annual contribution to pay the money back to the private partner's lenders. If the government borrowed directly, these additional costs could be saved.

O'Neill said the findings of the report were just one more example of the secrecy and scheming that had gone into the decision to hand a large chunk of rapid transit in the Lower Mainland over to a private company. "The province," he said, "wouldn't even fund the RAV line unless it was built and operated by a private company."

"Time and time again the Liberals have proven they will do anything for a P3 – even if it costs more, fails to transfer risk and hides vital information, like debt, from public records," said O'Neill.

A copy of the report and supporting documents can be found at www.cupe.bc.ca

Lewis Auerbach was previously a director in the Audit Operations Branch of Canada's AG. He has an MBA from Yale University with a specialization in finance and organizational behaviour.

Contact: Lewis Auerbach will be available to speak to reporters on Tuesday, October 19, 2004 from 9-12am (12-3pm EST) at (613)829-3456; Barry O'Neill, CUPE BC President, c: (604)916-8444; Diane Kalen, CUPE Communications, c: (778)229-0258.

