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P3s

BACKGROUND

Government of Saskatchewan P3 Initiatives

March 2009

Saskatchewan has had little experience with public-private partnerships or P3s, but the Brad Wall provincial government is now pushing P3s on a number of fronts.

Saskatchewan P3 Secretariat

On January 2, 2009, the *Saskatoon Star-Phoenix* reported that the Saskatchewan Party government would be establishing a secretariat to “explore the possibility of private sector companies being involved in large-scale infrastructure projects such as roads, schools and health-care facilities.” The provincial government has yet to formally announce the establishment of the secretariat through a news release, though it has allocated \$650,000 to the body, which will form a branch inside the Ministry of Government Services. The Saskatchewan P3 Secretariat will be charged with developing the criteria for assessing private sector proposals and will make recommendations to cabinet for approval. Any infrastructure project with a minimum total cost of \$25 million will be screened by the secretariat for consideration as a P3. (Coincidentally, the B.C. government recently raised its threshold for a mandatory P3 review from \$20 million in provincial funding to \$50 million.)

Government Services Minister Dan D'Autremont told the *Star-Phoenix* that the province will proceed with caution when it comes to P3s. For instance, he specifically rejected toll roads as a possibility. However, according to an October 15, 2008 government briefing note obtained through a freedom of information request, “Any and all areas of traditional P3s (design, build, finance, own, and operate) will be considered for projects over \$25 million with a term of at least 20 years that do not fit well within the traditional procurement approach. It is anticipated that Government will own the facilities, or have ownership transferred at the pre-determined time in the contract, that are procured using P3s.”

P3 Hanger Facility – Air Ambulance Program

According to the same October 15, 2008 briefing note cited above, the Ministry of Government Services is preparing the groundwork for a P3 hanger facility for the Air Ambulance program. “Currently GS is preparing a Request for Qualifications for a new facility (a hangar) for the Air Ambulance program,” the briefing note states. “While this project is expected to be well under the \$25 million benchmark, it may be a good first project as risks may be reduced for a project of this size.”

Ministry of Education Internal Study on P3 Schools

The Ministry of Education is undertaking an internal feasibility study of P3 schools that will be completed in 2009. In a November 13, 2008 Star-Phoenix article, Education Minister Ken Krawetz said that P3 schools are not imminent and “may not be the right fit for Saskatchewan’s school system.” However, a freedom of information request later revealed that the ministry had contacted Partnerships B.C. the next day, November 14, 2008, seeking input into their review of P3 schools. Partnerships B.C. was set up by the Gordon Campbell Liberal government in 2002 with the mandate of both promoting and evaluating P3s. The methodology used by Partnerships B.C. has been criticized by many, including forensic chartered accountant Ron Parks, for its bias in favour of the P3 projects.

Last fall it was also revealed that the Saskatoon Public School Board was “exploring” the possibility of using a P3 to construct a new school in Willowgrove and possibly other growing neighbourhoods. A subsequent freedom of information request discovered that the Lloydminster Roman Catholic Separate School Division had also approached Saskatchewan’s Ministry of Education last fall regarding a possible P3 school.

U of S Student Residence

A 400-bed student residence at the University of Saskatchewan, which has received \$15 million from the Ministry of Social Services, will likely take shape as a P3 with Meridian Development Corporation as the “development partner.”

According to *On Campus News*, the U of S submitted a grant application in November 2007 to the Saskatchewan Housing Authority for \$19 million to help build the student residence, which had a total price tag of \$45 million. The request was turned down, which led the university to consider “creative approaches” to its student housing goals, including “investigation of Public Private Partnerships as options for delivery of the project” - according to Peter McKinnon’s May 2008 President’s Report to Council. With encouragement from the provincial government, the U of S issued a request for proposals last August relating to design, construction and financing of the project. Meridian Development Corporation was selected as the partner in the project that would see the construction of up to 200 new four-bedroom housing units. According to the November 14, 2008 of *On Campus News*, “Richard Florizone, vice-president of finance and resources, said a public-private partnership, while new to the university, can address the critical issue of building rental accommodation that is affordable for both students and the institution.”

While the U of S and Meridian Development Corporation have not finalized the details of their relationship, the project could involve Meridian operating the residences. Coincidentally, a response to a freedom of information request to the Ministry of Social Services requesting correspondence between the ministry and Partnerships B.C. invoked a third-party extension, suggesting that such correspondence does indeed exist.

Ministry of Highways and Infrastructure

A freedom of information request submitted to Partnerships B.C. has revealed that the Ministry of Highways and Infrastructure was invoiced for nearly \$17,000 by Partnerships B.C. in 2008 to prepare a project assessment for a potential P3 highway construction project in the Athabasca Basin, which would improve access to the communities of Wallaston Lake, Stony Rapids, Black Lake and Fond du Lac.

Partnerships B.C.'s November 2008 Early Project Assessment prepared for the ministry concludes, "On balance, the combined value of the four projects, the similarity of the work and related risks on each, and the existence of precedent highway projects, suggest that this project would be of a size and scope that could be expected to attract the interest of the PPP market." However, the report cautions, "the stipulation based on the objectives of the proposed NTS [Northern Transportation Strategy] that the project serve as a capacity building and training program in the region, providing direct advantage to local contractors and workers on a large scale, could be viewed as quite restrictive from the perspective of PPP proponents." The overarching objective of NTS is to ensure that First Nations citizens share in the province's prosperity.

Patient-First Review

There are also concerns that the Patient-First Review could recommend using P3s for hospitals and other health care facilities. Tony Dagnone, the head of the review, has emphasized his commitment to publicly-funded health care, but has stated repeatedly that he is not opposed to considering private delivery of health care. When the Dalton McGuinty government announced plans in 2005 to use Alternative Financing and Procurement (the Ontario Liberal government's name for P3s) to finance a new children's hospital in London, Dagnone, then CEO of the London Health Sciences Centre, called the announcement a "super day" for the London region. (*The London Free Press*, September 28, 2005)

Canada-Saskatchewan Infrastructure Framework Agreement

The Canada-Saskatchewan Infrastructure Framework Agreement was signed April 11, 2008 to provide funding for provincial projects through the federal government's Building Canada infrastructure plan. The agreement, like those signed with every other province and territory, includes a clause (Section 3.3.6 – Consideration of P3 Option) that requires, "All Eligible Recipients seeking funding under the Major Infrastructure Component, for which the federal government's contribution would be equal to or exceed \$50 million, must demonstrate, to the satisfaction of the Federal Minister, that the option of undertaking the project as a P3 has been fully considered."

The Building Canada fund – introduced in the Harper government's 2007 federal budget – also includes a \$1.25 billion Public-Private Partnerships Fund, which could be accessed to subsidize and promote privatization in situations where the federal contribution falls under \$50 million.