

BACKGROUND

SaskBuilds contracts with Partnerships BC for \$5.6 million

The Saskatchewan government is moving full steam ahead with plans to build more public private partnerships (P3s) in the province, despite overwhelming examples from across Canada that show that P3's are most expensive and less transparent.

Gordon Wyant, the Minister responsible for SaskBuilds, says that Saskatchewan has learned from the track record of failure in other jurisdictions and is building a made in Saskatchewan solution.

Recent Freedom of Information requests obtained by CUPE show that Wyant's "made in Saskatchewan" solution is an expensive import from British Columbia. Over 40% of SaskBuilds' budget is being billed to Partnership's BC – a crown corporation created in 2002 by the government of British Columbia with a mandate to advise government Ministries on public private partnerships (P3s).

Partnerships BC is financially self-sustaining – meaning it receives no base government funding – and it relies on consulting fees with government Ministries and out of province clients. In 2013-14, its total revenues were \$8,588,029 of which \$8,434,270 came from fees.¹

Because all of their funding comes from consulting revenue, Partnerships BC has come under fire by the BC Ministry of Finance for being too biased. This excerpt is directly from a 2014 internal audit review of Partnerships BC: "PBC's advice to government could be biased towards solutions that create opportunities for PBC to earn revenue."²

The contracts with Partnerships BC cover an extensive and all-encompassing range of services from general advisory to hand-on involvement at all stages of each P3 project. In the contract for the Swift Current Long Term Care P3 project, for example, the Partnership BC deliverables include: RFQ and Project Brief, RFQ evaluation manual, evaluation report and worksheets, RFP, RFP technical and financial evaluation manuals, worksheets and evaluation reports, redacted project agreement, project report. It is not clear what SaskBuilds does because PBC appears to do everything.

In addition to the Swift Current long term care P3, SaskBuilds has contracts with PBC for the Regina Highway bypass, the Saskatchewan Hospital North Battleford Integrated Correctional Facility and the P3 schools.

¹ Partnerships British Columbia, Annual Report 2013-2014, p. 30

² Review of Partnerships BC, Ministry of Finance Internal Audit and Advisory Services, Government of British Columbia, July 2014, page 2.

So how much is that costing us?

SaskBuilds is paying Partnerships BC \$5.6 million to provide advice on all aspects of P3 procurement.³ This amount represents 41% of this year's annual budget for SaskBuilds (\$13.67 million). In terms of hourly rates, we are getting a "discounted" rate which ranges from \$400 an hour for the President and CEO and \$135 an hour for project consultants.

In the 2015 Saskatchewan budget many ministries faced budget cuts and shortfalls but SaskBuilds received a 13.2% increase in its budget (from \$12.1 million to \$13.7 million), an astronomical increase at a time the government is "controlling spending" by 1.2% this fiscal year.⁴

Although the population of BC is four times that of Saskatchewan, Partnerships BC has an operating budget that is about one-fifth of SaskBuilds' budget.

What are the concerns with the contracts with Partnerships BC?

The high level of dependence on Partnerships BC is troubling because SaskBuilds is adopting the same biased and faulty approach to P3s. In Estimates, the Minister responsible for SaskBuilds defended the contracts with Partnerships BC by saying "one of the challenges of course we have is that we're fairly new to procurement."⁵ A review of the contracts indicates that Partnerships BC is running the show.

Partnerships BC has used faulty methodology to justify P3s. The BC Ministry of Finance audit criticized PBC for using the Design Bid Build (DBB) model as the public sector comparator even though it is more costly than traditional build scenarios. The Finance report said that DBB is not the most likely alternative "as the project owner might choose to do DB (Design Build) procurement if a P3 does not generate value for money."⁶ Using the DBB model as a comparator makes the public sector option look more expensive.

SaskBuilds is using the PBC high discount rate that favours the P3 model. Instead of following its own guidelines to use "the Government of Saskatchewan's cost of debt" (which was 3.5%, according to Minister Wyant), the Swift Current Long Term Care P3 project is using a discount rate of 6.9%. This high discount rate is biased to the P3 model. A lower discount rate (closer to the government's long term borrowing rate of 3.5%) would make the public sector option more favourable.⁷

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³ Standing Committee on the Economy, Legislative Assembly of Saskatchewan, April 21, 2015, p. 656.

⁴ <http://www.finance.gov.sk.ca/budget2015-16/NR-Finance-Main.pdf>

⁵ Standing Committee on the Economy, p. 656

⁶ Review of Partnerships BC, p. 24

⁷ Standing Committee on the Economy, p. 655