



The Saskatchewan Party government is building nine joint-use schools as public private-partnerships (P3s), which means private, for profit companies are creeping into our schools. Learn some of the problems with P3 schools and why Saskatchewan residents should be concerned.

On July 31, 2014, the Saskatchewan Party government announced it was going forward with plans to build nine joint-use schools (public and Catholic) as P3s in Regina, Saskatoon, Warman and Martensville. The province expects the selected P3 company to begin construction next summer and have schools open by September 2016.

Plans for P3 schools have not been without controversy. The Prairie Spirit School Division raised concerns about a Catholic school because there is no Catholic school board in the area.¹ In December 2013, the Saskatoon Public School Board passed a motion to submit detailed questions to the Ministry about P3 financial and legal arrangements. At the annual meetings of electors of both the Regina Public and Separate school divisions, electors passed similar motions with questions about the P3 model.

What is happening in other jurisdictions?

In 1994, Nova Scotia was the first province to experiment with P3, or lease-back, schools. In that province, 31 schools were designed, built and owned by private companies and leased back to the province for 20 years.

New Brunswick, as well, has built a number of P3 schools, the finances of which have been criticized by the auditor general.

Alberta is currently the only other province that has used the P3 model to build schools. Since 2010, over 40 P3 schools have been built. Earlier this year, Alberta cancelled its fourth round of P3 schools. Alberta will save \$14 million by scrapping plans to build 19 P3 schools.

What have been the problems with P3 schools? *Six issues to watch out for.*

1) P3 schools cost more than traditionally-financed schools

When provincial auditor generals have reviewed P3 projects, they find that P3s are more costly than traditional ways of building schools.

The auditor general for Nova Scotia found that the 39 P3 schools cost \$32 million more than if they had been built publicly. In 2000, the new government admitted the P3 school project was a failure and committed to build 17 new schools in the traditional way, saying it would cost 15% less.²

New Brunswick's auditor found that the P3 Evergreen Park School cost \$900,000 more than if it had been built through conventional public financing.³

Economist Hugh Mackenzie analyzed the first proposal for P3 schools in Alberta and concluded that "for every two schools financed using the P3 model, an additional school could be built if they were all financed using conventional public sector financing."⁴

Even a 2010 briefing note from the Ministry of Education admitted "P3s are an expensive public procurement approach because they involve higher interest rates, a more expensive bidding process, third party advisers and a profit margin. It is a lengthy process to plan, negotiate and obtain financing."⁵

2) Legal and consultant fees are higher with P3s

The transaction costs, such as payments to financial, legal and technical consultants, are higher in P3s. In addition, the P3 process pays high "honoraria" to the companies which don't win the contract. For example, Alberta paid \$750,000 to each of the two unsuccessful consortia who submitted proposals in the P3 bidding process.

The SaskBuilds website lists seven consultants who will be hired to advise the government on the procurement of the P3 school project.⁶ It has not disclosed how much these consultants will be paid or whether their contracts will be factored into the full cost of the P3 project.

3) P3 schools put profits ahead of the needs of students and communities

One of the first P3 schools in Calgary, the Hampton's school, was built by Tirion Developments and leased back by the Calgary Board of Education. The company cut costs during the construction and used substandard roofing material, which caused the roof to leak six months after the school opened. Within three years of the school opening, the board had to pay more than \$100,000 in maintenance and upgrades on the roof.⁷



The first Alberta P3 schools were built based on a “cookie-cutter” design that ignored community needs, such as school-based daycare, in its design. Recent P3 school designs include space for community groups because of backlash, but for some P3 schools there is no going back.

In 2010 Nova Scotia’s auditor general raised the alarm about children’s safety in P3 schools. Many of the P3 companies subcontracted work to other companies without conducting criminal record checks or checks with the child abuse registry.⁸ He said that “the terms of service contracts are not adequate to ensure public interest is protected[...].”

4) Maintenance is delayed and more costly with P3 schools

The provinces with the first P3 schools found that private maintenance of the schools was very costly and of poor quality. Nova Scotia experienced high legal costs when it had to resolve a dispute on maintenance with the private company because the original contract hadn’t addressed all needs.⁹

In Nova Scotia, the auditor general criticized the practice of sub-contracting, saying that schools were paying twice for maintenance work. One school paid a sub-contractor \$21,000 for maintenance calls, but the auditor said the school was, in effect, paying twice since the developer had already been paid by the government through the 20-year P3 maintenance contract.¹⁰

A review of P3 schools by the Saskatchewan Ministry of Education noted there were no benchmarks that would show the private sector was providing operation and maintenance at a lower cost than the public sector.¹¹

The new trend with P3 schools is to keep the “soft facility maintenance” (cleaning) with the school board and pay the private consortia for “maintenance and renewal” work on a monthly basis over 30 years. Proponents of P3s call these contracts a “30-year warranty”, but it is just another way to make money.

“P3s are an expensive public procurement approach because they involve higher interest rates, a more expensive bidding process, third party advisers and a profit margin. It is a lengthy process to plan, negotiate and obtain financing.”

-Saskatchewan Ministry of Education, 2010 briefing note

In Alberta P3 schools, unionized caretaker staff continues to clean but is not allowed to address any maintenance work, such as changing light bulbs, attending to boilers, setting clocks or repairing doors or anything attached to the inside or outside of the building. This creates unnecessary delays and cost.

If a teacher wants a bulletin board attached to a classroom wall, she must fill out a “penetration form” for a contractor to do the work. Even a routine task like going up to the roof to get a ball can only be done by the contractor.¹²

Brand new schools should be in top shape and not need an expensive 30-year maintenance contract. It is also not an efficient use of resources. In Regina, for example, three joint P3 schools could end up with private maintenance agreements, while the remaining 78 schools in the public and separate school system have reduced maintenance staff and tradespeople. It is more cost-efficient for the school boards to hire their own maintenance staff - painters, plumbers, carpenters - to care for all schools, not just P3 schools.

5) Bundling construction projects is not cheaper - reduces competition

The government claims that building joint schools with 1,000 pupils will create savings and efficiencies, yet the proposed P3 schools will have duplicate libraries and gyms.

Bundling can also make construction more costly due to increased complexity and reduced competition. “Simply put, bundled projects can become too big for an organization to handle efficiently and effectively,” says a report prepared for the Vancouver Island Construction Association.¹³ The report argues that it may be more cost-effective to purchase building materials locally, especially if the project takes place in multiple locations.¹⁴

A report from the Construction Design Alliance of Ontario claims that taxpayers could save up to \$500 million in construction and design costs for the \$4 billion Eglinton Crosstown transit project if it wasn’t bundled.¹⁵

6) P3s Faster? Not really

It is also questionable that bundling schools is faster. Recently, the Calgary Board of Education asked the provincial government to let it opt out of the P3 school bundle. The school board wanted to build its own schools the conventional way because the needed schools would be built faster.¹⁶

Take Action on P3s

When all the facts about P3s are in, it is clear they just don’t make sense. The process is moving forward, but there is still time to make your voice heard. It is imperative that we ask the hard questions and keep this issue in the spotlight.

Please take a moment to call or write your M.L.A. and school board. Please visit www.cupe.ca/privatization for more information.

Endnotes

¹ Janet French, “Minister defends P3 Catholic schools,” *Star-Phoenix*, November 14, 2013.

² “P3 schools scrapped,” CBC news, June 21, 2000

³ Auditor General of New Brunswick, Special Report for the Public Accounts Committee, Chapter 14: Evergreen and Wakenhut Leases, 1998.

⁴ Hugh Mackenzie, *Doing the Math: Why P3s for Alberta Schools Don’t Add Up*, Prepared for CUPE Alberta, December 2007, p.5.

⁵ “Public Private Partnerships (P3) and Saskatchewan Schools,” Briefing note, Ministry of Education, September 21, 2010. Obtained through an access to information request.

⁶ See SaskBuilds website: www.saskbuilds.ca/projects/nine-joint-elementary-schools.html

⁷ “Private profit, public loss: the community impact of Alberta P3 schools,” CUPE Research, October 2013.

⁸ Auditor General of Nova Scotia, 2010 Annual Report, p.37.

⁹ Public Private Partnerships: A Review, Ministry of Education, Education Finance and Facilities, July 2009, p.23.

¹⁰ Auditor General of Nova Scotia, 2010 report, p. 41

¹¹ Ibid.

¹² “Private profit, public loss: the community impact of Alberta P3 schools,” CUPE Research, October 2013, p.5.

¹³ Stephen Bauld and Glenn Ackerley, *Facts or Fiction: Dispelling the Myths about the Bundling of Construction Projects*. Prepared for the Vancouver Island Construction Association, April 2013, p.7.

¹⁴ Ibid., p. 6.

¹⁵ “Bundling Projects Wastes Tax Dollars, CDAO Says,” *ReNew Canada: The Infrastructure Magazine*, August 12, 2012.

¹⁶ “CBE asks province for right to build own schools; Trustees say ‘in-house expertise’ will see construction completed by 2016,” *Calgary Herald*, February 4, 2014.