

P3s in Saskatchewan

Are P3s new in Saskatchewan?

No, in 2010 the Government of Saskatchewan embarked on the controversial P3 pilot project – the Amicus Deal – to build and operate a 120-bed long-term care home in Saskatoon.

With the release of the recent budget, the government has opened the door to wide-scale privatization of public infrastructure. SaskBuilds, the newly created Crown Corporation set up by the government to drive the development of P3 scheme, received an increase in funding from the budget to pursue P3s for the construction of the Saskatchewan Hospital in North Battleford, Regina's southeast bypass, and a number of schools throughout the province.

What is SaskBuilds?

SaskBuilds is a new crown corporation created by Order-in-Council and announced in the government's Plan for Growth strategy in November 2012. In the Plan for Growth, the government commits to spend \$2.5 billion in infrastructure over the next three years. Although the 2013-14 budget only provides SaskBuilds with \$6 million this year, the Plan for Growth states the government will give it \$150 million "to drive innovation in infrastructure financing, design and delivery, **including public private partnerships.**"

The website states that the government will be considering P3s for infrastructure projects **over \$100 million**. The "criteria" section of the website indicates information will be posted at a later date.

Whatever happened to the P3 Secretariat?

In January 2009, the Government of Saskatchewan created a P3 Secretariat to explore public private partnerships for public infrastructure in the province. The P3 Secretariat was mandated to explore the viability of P3s by screening any infrastructure project with a minimum cost of \$25 million.

After nine months, the government disbanded the P3 Secretariat after it determined there weren't enough large capital projects in the province to qualify as P3s.ⁱ At the time, a communications director in the Ministry of Finance said that the government "hadn't ruled out using the P3 approach at some point in the future."ⁱⁱ

Have there been any P3 projects in Saskatchewan?

Although the government did not call the project a P3, the long term care facility built by Amicus in Saskatoon can be classified as a P3. In that project the government did not provide 65% of the financing for the construction as was the case for all other capital projects in long-term care. Instead Amicus, a non-profit organization owned by the Catholic Health Care Association of Saskatchewan, borrowed 100% of the money at higher interest rates and the government will pay higher than normal daily bed rates to Amicus to cover the full cost of operations and financing.

University of Manitoba economist John Loxley's analysis of the Amicus deal concluded that this form of P3

financing was a costly mistake for taxpayers. The additional cost to build the \$27 million long term care facility Samaritan Place is \$10 to \$20 million more than if it had been financed through traditional public financing.ⁱⁱⁱ

The provincial auditor also criticized the Amicus deal saying “neither Health nor Saskatoon could provide us with any written analysis to support that funding long-term beds in this new way is cost effective for the province.”^{iv}

Will the new Plains Surgery Centre in Regina be built as a P3?

At the end of July 2012 the Ministry of Health issued a Request for Proposal (RFP) for an analysis of procurement options for both the Saskatchewan Hospital in North Battleford and the Plains Surgery and Outpatient Care Centre in Regina. The RFP asks for a business case that includes a ‘value for money assessment’ that compares the costs of building the two facilities through traditional procurement or as a public-private partnership.

The government has not disclosed any details of the procurement options that have been recommended in the business case. It is worth noting that the RFP was issued seven months before the government’s budget when they officially announced their intention to use P3s.

What about municipal projects?

Both the cities of Saskatoon and Regina have also made decisions to build public infrastructure through public-private partnerships. The city of Saskatoon has received a grant from PPP Canada to build its Civic Operations Centre as a P3.

The city of Regina wants to build its new wastewater treatment plant as a design-build-finance-operate-maintain (DBFOM) P3. A recent analysis by economist Hugh Mackenzie calculates that the capital costs of the P3 will cost \$61 million more than if the city of Regina had pursued public financing option.

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- i Angela Hall, “Government looks to reduce costs,” The Leader-Post, September 30, 2009.*
 - ii Allen Warren, “Saskatchewan no closer to public-private framework,” Journal of Commerce, September 2, 2010.*
 - iii Dr. John Loxley, “The Trouble with the Amicus Deal: Six reasons Samaritan Place will cost the province more,” Canadian Union of Public Employees, March 19, 2012.*
 - iv “Service Agreement with Amicus Health Care Inc.,” Provincial Auditor 2011 Report, Volume 2, pp. 293-298.*