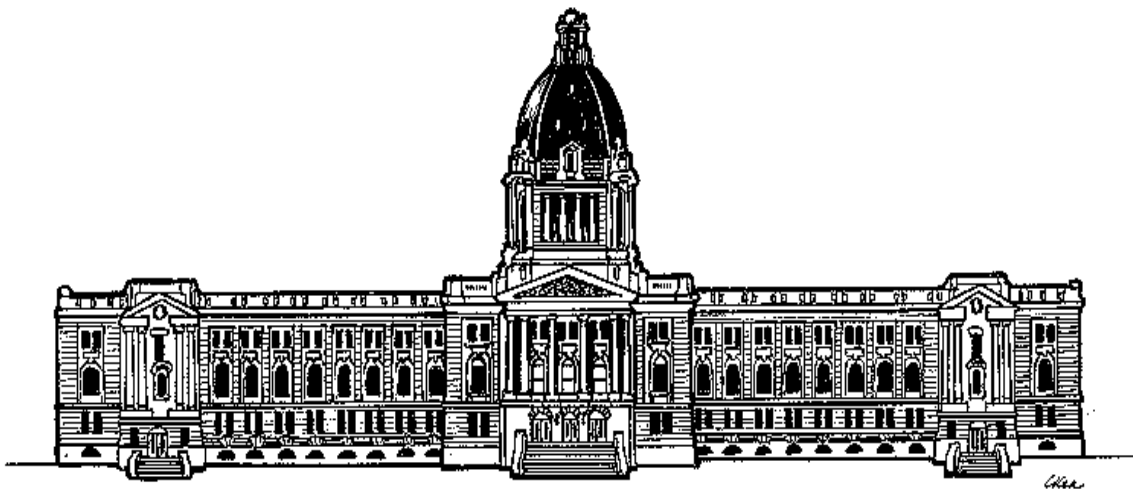




STANDING COMMITTEE ON THE ECONOMY

Hansard Verbatim Report

No. 10 – April 24, 2013



Legislative Assembly of Saskatchewan

Twenty-Seventh Legislature

STANDING COMMITTEE ON THE ECONOMY

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Prince Albert Northcote

[The committee met at 15:00.]

The Chair: — Well good afternoon, committee members, Minister, and your officials. This afternoon the Committee of the Economy will be discussing the main estimates for SaskBuilds Corporation. We will now begin our consideration of Vote 86, SaskBuilds Corporation subvote (SB01). I welcome the minister and invite the minister to introduce his officials and make his opening remarks.

**General Revenue Fund
SaskBuilds Corporation
Vote 86**

Subvote (SB01)

Hon. Mr. McMorris: — Thank you, Mr. Chair. Yes I have some . . . Oh, there's kind of an echo in here. Is that traditional for this room? Okay. I have, to my left is Brian Manning, the CEO [chief executive officer], and Lisa Boire from SaskBuilds who have done excellent work and I rely extremely heavily on them and will through the next couple of hours as we go through the estimates for SaskBuilds.

What we are here for, of course, is the 2013-14 estimates for SaskBuilds. The government growth plan outlines six components for growing in Saskatchewan, for growth in Saskatchewan. And the first priority of course is infrastructure. SaskBuilds is an instrument to help to make sure that we have the infrastructure we need to support the growth our province and our economy is experiencing.

Like every other province, we have significant infrastructure needs — in fact I might even say greater than many provinces with the growth in population. They are expensive and there are limited resources. SaskBuilds and the SaskBuilds board will take care of long-term infrastructure plans in the province to identify the best ways to get priority infrastructure built.

It is clear we won't meet the needs in a timely manner if we continually rely on just the old ways of doing things. We have to be strategic and we have to be innovative, and SaskBuilds will help us do that.

The corporation is newly established, operating for close to 25 weeks. So the 2013-14 fiscal year will be the first year of operation. The budget for SaskBuilds is \$8.3 million. This level of spending will enable SaskBuilds to continue to staff and operationalize the corporation so it can make significant progress on its mandate.

Work has already begun to explore and prepare for a number of P3 [public-private partnership] opportunities. These have been talked about before, but the Saskatchewan Hospital in North Battleford, maybe with a corrections facility, new school construction, Swift Current long-term care centre, and of course the Regina bypass project. These are large-scale, expensive projects. We know it would take decades to meet some of these needs using the traditional methods. This is simply not acceptable.

P3s have been used successfully in other jurisdictions for those

type of projects and we think they can be used successfully here too, but we realize the P3 approach is new to Saskatchewan. We will do the appropriate due diligence up front and we will proceed cautiously, but we will move forward and do what we have to do to support and enable further growth here in Saskatchewan. So with that, Mr. Chair, I would invite questions.

The Chair: — The floor is open for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks to the minister, and thank you to officials for coming before us here today and providing some answers and some clarity as it relates to SaskBuilds.

The structure that's been set up here to establish SaskBuilds, I see the expenditure of \$8.3 million. If I could just get a better understanding of what that looks like by way of operations from a staffing component, full-time equivalents, and sort of that organizational structure.

Mr. Manning: — I can maybe take the first lead and maybe Minister McMorris could respond. So just to back up a little bit, when SaskBuilds was created — and we were operationalized middle of November — we had a notional allocation of \$2 million to carry us through last fiscal year. And what I would suggest is through prudent management, the actual expenditures was \$630,000. So that, and then we had \$270,000 that . . . we did not expend it. We thought we would on looking at some of our initial projects.

So what that resulted in was \$1.3 million being lapsed at the end of the fiscal year. And the reason I mention that is our planned expenditures for this year is \$9.4 million, but when you net off the previous year end favourable variance here, that brings us down to the \$8.3 million that the minister referenced.

So if you look at the \$8.3 million, to break it down, on salaries and benefits it's \$1.2 million that we're projecting for this fiscal year. And the assumption is that we would have eight full-time equivalents annualized for the full year. At the moment the corporation is at five FTEs [full-time equivalent]. So the \$1.2 million would cover salaries and benefits. Benefits we estimated was at 18 per cent of salary. 300,000 of the 8.3 is for general operating expenses, so that is to actually look after the office arrangements and the other business expenses, equipment, supplies and that, to run the corporation for the year.

\$1.9 million is for shared services arrangements that we have with both ministries and outside expertise. So within the 1.9 million, \$500,000 goes to internal, here, for support such as HR [human resources], communications, finance. Most of that internal support is being provided by Highways and Infrastructure.

The 1.4 million is to look at utilizing outside expertise where we need it. So this would be hiring people on sophisticated legal issues that we need legal advice, or it could be specialized financial expertise as we move into potential different types of financing opportunities with infrastructure.

And then the largest part of our budget this year, so that's going

to be 63.8 per cent, is \$6 million and that's to start the preparatory work for P3, potential P3 projects. And as the minister mentioned, so that might encompass bundling of schools here, looking at the Saskatchewan Hospital, North Battleford. And again as the minister mentioned, we might be looking, besides the mental health hospital in North Battleford, looking at a corrections facility. Regina bypass would be another one. So again that \$6 million is looking to put the business cases, doing the analysis, value for money here on whether these projects have a strong business case to go forward as a P3 or not.

Hon. Mr. McMorris: — I would just maybe add to that. So we've talked a little bit about where the money will be going as far as staffing and shared services and some money towards investigating P3s and the value for money. But SaskBuilds also has another very major role to play, so it's not just P3. It's another major role to play to look at the overall capital for the province.

As I think we had said the last time we were together with estimates, generally the way it had been done traditionally in the province, you know, for decades really, is each ministry would look at their capital needs and then there wouldn't be necessarily an oversight of all capital needs and prioritizing capital needs. We were out working on a five-year capital plan which, after working on a five-year capital plan, realized that probably wasn't a broad enough window or a long enough window and expanding it probably to a 10-year capital plan.

So it's very valuable work that is being done. And it certainly helps us make, I think, stronger decisions into the future when you look at it as a whole province as opposed to more of a siloed ministry perspective. And so that's the other work that SaskBuilds . . . which is probably a large portion of the work that they'll be doing as well.

Mr. Wotherspoon: — I'm interested in that work and that component as well, because certainly that work could be undertaken without a government necessarily entering into utilizing P3s. Am I correct in that this is sort of a new way of potentially doing business? And I think it certainly seems that there is some merit in looking at longer time frames for capital planning and I think allows . . .

I mean, you're coming here from the Ministry of Health. Ministry of Health, I think that certainly if you look at that large ministry and those health authorities, some longer term understandings of commitments from government are certainly, I would suspect, helpful. Has that experience helped inform whether that's the right direction to go in by way of, not the discussion about P3s, but the discussion of a longer window of commitments?

Hon. Mr. McMorris: — Yes, I think that's fair to say. Before, previously — and again it was just the way it was done here in Saskatchewan, not only through our government but I would assume previously — is that ministries or departments would look at their capital need, but really only look at their capital need. We'd all put in, and I'm just going to speak as a former Health minister, our want or wish list. It would go into the Ministry of Finance, and the Ministry of Finance would try and kind of put all that together because they would have the

requests from all, or treasury board, from all the different ministries. This allows us to not necessarily do it through a treasury board process of the Ministry of Finance, but a corporate look at the overall need, to even look at what other provinces have done when they prioritize projects.

Because I can tell you, I don't think there'd be a government in the world that wouldn't have more asks than they have capability to build or to finance or to whatever. So you need to have a strong lens on the prioritization piece. And that's something that we can add maybe better than what it was done before, and certainly better than what we would see through ministry to ministry. Because I can tell you again, as a former Health minister, I was really not as worried overall, I should say, yes worried, but when I looked at my own ministry I wasn't as worried about post-secondary or highways. I was more worried about what we needed to supply the health system in the province.

This is certainly a much broader view of the overall capital needs and being able to prioritize it as far as need throughout the whole province. And so, you know, the corporation is doing . . . has done a lot of work on it already.

When you look at other provinces . . . And that's why Brian has been so valuable. I think he was instrumental in developing a five-year capital plan and maybe longer, 10-year capital plan in Alberta and, you know, and the need for that. So we've been able to actually use some of that expertise. And the great work from Lisa as well, who works very closely with the ministries to put all that together.

I think in the short lifespan of SaskBuilds of roughly 25 weeks, to have the work that's been done already puts us in good stead. And you know, I can't speak for other provinces. I'm not familiar with other provinces. But I think already we're in much better shape than we were 26 weeks ago.

Mr. Wotherspoon: — We'll go back, and I am interested in further questions on the process of prioritization and projects, but just to get a full understanding of what SaskBuilds looks like right now. There was discussion that there'll be eight full-time equivalents. When will the office be fully staffed up and where will those individuals be coming from? Are they in government right now? Are they seconded into SaskBuilds? Or if not, where else have these individuals come from?

Mr. Manning: — At the end of the day, we aren't going to be a large treasury board Crown. So the intent is that we'll be staffed with 10 FTEs when we're completely staffed. So as I mentioned, the estimation for this fiscal year is to get to eight. We are currently at five and so to date if you look at the five that are in place right now, the vast majority have been seconded to the corporation within the public service. And I must add that very talented individuals have been seconded to the corporation, and then it's myself coming externally here. I think going forward that the remaining people, staff, will probably come outside of the public service. There may be the odd exception, but I think they'll be outside.

First of all, P3s are very complex financing, mainly financing arrangements here, and so what I'm looking for, what skill sets to bring into the corporation are people that have that

experience, that they are very familiar with negotiating and administrating complicated financial arrangements. In this case it so happens to be related around infrastructure. So having said that . . . And also a benefit would be for people that would also have had experience directly with P3s.

[15:15]

And so that pretty well indicates that the other individuals coming into the corporation will probably come external to the province. If there is somebody inside the province that has that expertise, obviously we'll look at that individual. But I think some of the skill sets will probably come external to the province with again that background, complex financial arrangements here that they've negotiated in their career, and also hopefully with P3 experience.

Mr. Wotherspoon: — Thank you for that answer. So is it that the majority have come from within the public service to date? I believe your answer indicated that. Of course you've come from external, but the other five then, is there five others? And those are all . . . Four others and those have all come from within the public service. So what ministries have they come from, and what capacities have they brought with them?

Mr. Manning: — So actually it's, of the five, myself being external, our person that is looking after our financial budgets and financial reporting is a person that also has come from Alberta, a native of Regina with an opportunity to return home. And she ran previously her own consulting company in Alberta, mainly in the energy area. So that individual saw an opportunity to come back to Saskatchewan. So that won't be a secondment arrangement. The other three are. And I have to defer to Lisa here a little bit. I still haven't learned all of your ministry names correctly.

Mr. Wotherspoon: — I haven't either.

Ms. Boire: — So I come from the Ministry of Central Services. And then we have another individual, Kyle Toffan, who's been seconded from Government Relations, particularly in the municipal division. And our administrative support, Michelle Sieffert, is seconded from what was originally Enterprise Saskatchewan and now Ministry of Economy.

Mr. Wotherspoon: — And the individual that came in from Alberta, what skill set did they bring with them that was unique? Were they recruited or what was that process?

Mr. Manning: — Well I either recruited her or she was recommended to me, and then I guess my recruitment started in that regard. The individual is an accountant. She doesn't have a designation. I think she's one exam short of being a CA [chartered accountant] but has that accounting background and has turned out to be extremely valuable to us.

Mr. Wotherspoon: — That's great. We hope in returning to the province that she's always been a loyal Rider fan. That's important. Not a full requirement, but it's important. So now who recommended this individual to you?

Mr. Manning: — Early I asked all of the deputy ministers if they could provide to me some recommendations of good

quality staff. And so, as you're on a football theme, the analogy I used is, I'm looking for Gretzkys, and so do you have some Gretzkys within either your ministry or Crowns? And so through that request an ADM [assistant deputy minister] in Environment recommended this individual to me, and so I then contacted the individual.

Mr. Wotherspoon: — I appreciate the sports piece. Now just a point of note. Gretzky did play hockey, not football. But I agree. He's a pretty talented individual.

Sorry, who recommended this individual to you? Out of what ministry and was it a . . .

Mr. Manning: — It was Environment. It was an ADM in Environment.

Mr. Wotherspoon: — And how did they know the skill set of this individual?

Mr. Manning: — The individual we're talking about is Donna-Joy Tuplin. And she had worked with Donna-Joy, I believe in a Crown environment previously, spoke highly of her, and from my perspective did not exaggerate the skill sets of the individual. So she's worked out very well.

Mr. Wotherspoon: — And the skill sets you were looking for that were unique and going external at this time, if you could just describe to me the skill set and the unique skill set that you were looking for that weren't here.

Mr. Manning: — So again as I mentioned, I'm looking for people with that financial background and who have . . . are comfortable in a sophisticated, if you will, business arrangements or contracts here. And so she definitely does have that skill set. Again, she had led her own consulting company and did financial advising to energy, mainly junior energy companies within Alberta.

And so again within the corporation, the main preliminary skill set I'm looking for is on the financial side. I have mentioned to people before, I really don't need to populate engineers within the corporation. We have excellent engineers within the public service. I know where they are to access them when the time comes. Same mainly on the legal side with Justice. But what I do need, based on previous experience with P3s, are good, detailed, experienced, financial people and so that's the skill set.

The other thing, well two other things I would add. Also people that can work on their own plus in a team environment. So can work in a collaborative team environment mode and also has good communication skills. So if I can find those individuals, those are the ones I'm looking to target to bring into the corporation.

Mr. Wotherspoon: — So just to clarify then, this position, it wasn't an external tendered process. It was one individual that was reached out to?

Mr. Manning: — That's correct.

Mr. Wotherspoon: — The other positions that . . . There's

three other positions that you're looking to fill. What sort of process do you envision to fill those positions?

Mr. Manning: — There will be a competition for all of those positions.

Mr. Wotherspoon: — And I guess does the minister, is he comfortable with the lack of a competition? I'm certainly not . . . I think there's certainly a role to bring external skill sets and different talents into the service and particular if those skill sets aren't there right now. Is the minister comfortable with the process that's been described here with this one individual?

Hon. Mr. McMorris: — Yes certainly I am. I have full faith in the leadership of SaskBuilds. I think the other thing that is important is we wanted to hit the ground running. We wanted to make sure that we could, you know . . . It was charged with a pretty large task list early on, and one of those wasn't, you know, you've got eight months to worry about staffing and then we'll get to work. I think work started the first day. And they've been trying to fill in the spots, and look at what complement of staff they need as they move forward. So there are times where you have to, you know, if you're referred . . . If a strong person is referred to you and you have faith in that reference in this type of situation, very comfortable as we move forward. And we have maybe perhaps a little more time to look at the competition venue. That's certainly what we would want, prefer to do as we move forward.

I think this is unique because the corporation is starting up; didn't have a lot of time to prepare. So it was hit the ground running, as I would say, and then filling in as it needed to in the short term. And as we staff up further into the future, the process sounds great.

Mr. Manning: — Minister, if I may just add too that the individual was brought in on a temporary basis, so wasn't moved into a permanent position, just to see whether or not the skill sets aligned with what our needs were. So it was based on those arrangements. And the individual still is not into a permanent position. It's still on a contractual probationary period here.

Hon. Mr. McMorris: — Thank you.

Mr. Wotherspoon: — Now what sort of contracts has SaskBuilds entered into to date, and what contracts does SaskBuilds anticipate entering into? At this point, maybe less so from a perspective of the contracts that you may enter into with those that will be providing infrastructure, but more so the contracts that you may require or feel you require from an administrative, operational, functional perspective.

Mr. Manning: — So if you look at it from a, again, administration perspective, what . . . And again as I mentioned, at the end of the day we will not be a large Crown and so we do need some support to help us function as a corporation here, but not need to dedicate a full-time equivalent here to certain functions. So as I mentioned with the budget, first of all, breakdown, we do have \$500,000 budgeted for this year to have other ministries, mainly or particularly with Highways and Infrastructure, to provide those HR supports, communications support, that again budget support, that sort of an aspect here.

So having said that, beyond that, if we look at . . . looking at contracts external to the public service, there will be some contracts, particularly on the legal side. We have excellent support from Justice, but from time to time there will be some specific legal advice that we require, and so we will seek the appropriate expertise to provide that counsel to us. So legal would be one.

Also there will be some financial, detailed financial support that we will need that doesn't resonate at this point either within the corporation or the public service. So we will be using selected judgment here on what kind of expertise do we need to bring in on the administrative side. But the vast bulk will be provided internally.

Mr. Wotherspoon: — Tell me a little bit about the financial capacities that you're looking to contract, sort of what role you're looking to be fulfilled and who you might be looking to by way of providers on that front.

Mr. Manning: — Once we start looking at or getting into the actual procurement process here for P3s, then again there are very sophisticated, complicated financial arrangements. And so that would be an example that we would look at bringing in some expertise to provide some advice to us as we moved through that process.

Within the operational side of the corporation, there may be . . . Well an example there would be bringing in some external legal counsel along with Justice to put together our governance procedures, so our policies, our guidelines, our templates. And what we have done within the 25 weeks that the minister mentioned that we've been in existence is to look across Canada to various jurisdictions to see what their policy or their governance procedures are in order to put ours in place. And we will be bringing that to the board in either May . . . I thought it was going to be May or June, but it'll be May. So in putting those governance procedures together, we have utilized some external legal counsel along with Justice to help us. So that would be an example of some administrative support that's external.

Mr. Wotherspoon: — In the financial types of contracts you may enter into, so that would be with an individual then with a certain capacity that may be consulting that you would contract with or that would be with a financial firm. Could you just give me a little bit of background. And I guess, when are you entering into a process or a tender to enter into those contracts, or are you intending to enter into a tendered process to do so?

Mr. Manning: — So the answer to the latter is yes, we'd be entering into a tendered process. Some examples might be where we would look at again as we do a business case and we establish a value-for-money assessment, does this really make sense to do this project as a P3 versus a conventional build? So we'll bring in some financial expertise to help us in putting that business case together, looking at the numbers, make sure that the numbers that are embedded in the business plan to make the determination what the value for money is, is current and accurate. So we can bring in an outside entity that specializes in that. So that would be an example.

Mr. Wotherspoon: — Would you envision making that sort of

analysis available to the public? I think that's the kind of information that the public would appreciate.

Mr. Manning: — Yes. Most jurisdictions, as I mentioned, when going through on the governance side across Canada, most jurisdictions publish their business plan and the value-for-money assessments. And so again the public can go and see who participated in the process here, what was the actual business case, and how was the value for money determination made. And so that's our intent, is to make that information public.

And this is an example of one of the business cases that Alberta put together on one of the ring roads. So this is the southeast Stoney Trail ring road. And so this I think shows you some of the detail that goes into making this as a public document. And this is a very unique project. I've spoken to it before. This is the southeast part of the ring road around Calgary. And the actual savings, so the P3 project is under way, and when we looked at what the conventional costs would be to build that part of the ring road versus a P3, there was a \$1.06 billion savings, or 58 per cent of the actual projected costs of constructing that part of the ring road.

And so this document here indicates the savings and again the process, the business plan, the value for money, and the proponent that is building this part of the ring road. So that would be our intent, that that kind of information would be made public.

[15:30]

Mr. Wotherspoon: — Is there a role in other provinces that's, or a relationship between the Provincial Auditor's office — of course you're part of government proper, so there's a relationship that exists there in the same way it exists for all ministries — but is there a stronger relationship that exists in some jurisdictions to have a capacity from the auditor's office involved in some of that value-for-money analysis?

Mr. Manning: — I don't think any of the provincial auditors would be involved in, you know, the actual determination of the value for money. Their role would come after that, to audit the actual value-for-money calculation or determination here, you know, rather than being involved in the process itself.

Mr. Wotherspoon: — And from your experience, certainly the provincial auditors have had full access to the information they need because sometimes some of this information may be sensitive and may require some confidence with the public at large on some of it. I'm a believer that we're best served when information's as public as it can be on these matters, but certainly the auditor would have unfettered access to that information. Is that correct?

Mr. Manning: — Well I would say it would be correct, but based on my experience, I can't recall any of the three provincial auditors that I worked with in Alberta — so I've been there for three provincial auditors — asking for information on a P3 project as it's going through the procurement or the determination phase. So the information, were the Provincial Auditor to get involved, would be afterwards. And on the afterwards, as I mentioned, the

information is public. I can't even recall a Provincial Auditor asking for supplemental information versus what was published. It's pretty thorough.

Mr. Wotherspoon: — Just to get an understanding of where you're located as an office, where you're leasing space, how much square footage, how you've acquired that space.

Mr. Manning: — We're located at 1855 Victoria, so the Victoria Tower, 7th floor. On the actual space I have, I have no idea. I guess we could provide that to you. How did we acquire it? That determination was made before my arrival.

And the only thing I would add, it is a very, to me, a strategic location. And it might have been the minister to mention to me earlier, you have deputy ministers all around you, you know, downtown. And that's worked out very well because a lot of my conversations and working is with deputy ministers and they're a short walk away. So the location works very, very well. But the actual square footage, we could provide that to you. I don't think we have that with us.

Mr. Wotherspoon: — So I just wouldn't mind getting a little more information about the process of prioritizing capital projects. And that process that we talked about may be extending that window of time where there's a commitment that's made, and you're going to be then balancing priorities of ministries. And then the ministries themselves, will they be choosing their priorities within that respective ministry or the related agency or health authority or school board that are involved?

Hon. Mr. McMorris: — So what we would rely on, I mean we would rely on each ministry to put forward their capital plans as they move forward. I don't think anybody in our office knows what Health needs better than what Health needs. And you could say the same for Education and Highways.

So the ministries themselves will continue to have, you know, in some ministries maybe a larger capital division than others. But I mean Education is a classic example that get input from their school divisions, as do the Ministry of Health have input from their health regions as to what the needs are across the province. They tend to boil that down as well and then put forward a list and I, you know, suspect will continue to put forward a list to SaskBuilds from each ministry.

So our job is to look at the overall capital needs of the province from ministry to ministry. The ones that we're working on, some of the projects that were mentioned of course are some of the biggest projects that SaskBuilds will be helping out on, not necessarily, for example, in parks and recreation. If they need an interpretation centre or more park benches, that isn't necessarily coming to us. But it's an overall capital plan with a higher threshold that would come to us. And then we put that into a full integrated five-year capital list and eventually into a 10-year capital list. And then we'll be in the future putting forward recommendations, I would believe through a prioritization process. And I'll let Brian talk a little bit more about that process. But there's still a huge reliance on the ministries to put forward what they see in the future are their greatest needs.

Mr. Manning: — So when you look at capital going forward that's actually going to be constructed, again the vast bulk of capital will still be built through conventional means, so design build, within the various ministries within the province itself. And so that would be 90-some-odd per cent would not change — go through the traditional, conventional building.

As the minister said, with P3s, these would be the larger projects. So the numbers won't be exceedingly large, but the size and scale and scope of the projects will be. In fact the corporation will look at projects that would have an approximate threshold of \$100 million or more. And that's not us pulling the number out of the air. That's what the industry, the P3 industry across Canada, the proponents, the construction companies, are saying is pretty well the minimum threshold of what they will consider as they put a consortium together. And putting these bids together are fairly expensive, and there's only one successful proponent at the end of the day. So the projects will be large in size here, but the vast bulk of construction will be still through conventional means.

As the minister mentioned, we have actually, within the first two months of existence here, put together an integrated five-year capital plan. Prior to that, every ministry had very good, solid capital plans on a per-ministry basis. What this does is roll it up so that in this case the SaskBuilds board is able to look at the broader picture of all of the major capital needs for the province, not having to go through individual ministry-by-ministry plans. And we are working at this point on rolling that up further to a 10-year capital, integrated capital plan. So bringing all of those ministry plans together.

One of the advantages, and as the minister mentioned earlier, from my Alberta experience, the five-year capital plan puts a sharp focus of what's in the immediate pipeline, if you will, of projects that need to be built within the province. The 10-year capital plan rolls that out a bit further. Because some projects . . . If a project starts in year 3 of a five-year capital plan, it might go beyond the five years. So it captures those projects maybe into year 6 and 7. In my mind also though, the 10-year capital plan is very beneficial in the planning side so that you're able to plan out potential future projects out to a 10-year time horizon. So in going, putting the 10-year capital plan together — and again it will come to the board in June — what SaskBuilds staff have done is meet with every ministry to look at what their current capital needs are, look at their current capital plan, roll that into our 10-year plan, and then look at the top five, if you will, on a ministry basis for each ministry. Those top five projects will be highlighted as we present the 10-year capital plan to the board here in June.

Mr. Wotherspoon: — The processes that are currently in place then for the various ministries, Health, Education, will there be changes in determining the priority ranking, if you will, of projects? Will there be changes recommended from SaskBuilds back to the ministries in how they rank their projects, or will there be some consistency or harmonization across ministries? You know, I know the Education ranking process a bit, health and safety, and then the different, various rungs, priorities that it moves on to. Will there be some recommendations, guidance, or process coming from SaskBuilds?

Hon. Mr. McMorris: — We don't see big changes. As was

mentioned before, you know, the two largest ministries, Education and Health, have a fairly strong capital plan. And it's also very, very reliant on third party: school divisions, they take their lead quite often from the school divisions, as do the health regions have a large input into the Health capital plan. There are only, I would say, a few examples — in Health for example — that there are provincial facilities, North Battleford being one, although it's really kind of driven through the Prairie North Health Region.

But the ministries really rely heavily on those third parties to make the recommendations. Where ministries don't have a third party making the recommendations . . . well post-secondary wouldn't necessarily be a good example, but there are others. Highways, for example, would be an example where it's not necessarily driven through third party, although you have area transportation planning committees that help with that input. I don't see that they're . . . You know, we would be dictating to the ministries on how they put their lists together. I think, as you said, there's usually some common themes such as health and safety.

Another common theme that we're experiencing is the growth in population. There are certain areas . . . I think the province as a whole is growing, but there are certain areas that are seeing very large population increases. And we could try and capture that, but really the ministry themselves and the third parties in those areas are the ones that are on the ground day in and day out and feeling those pressures. So although we may have some input on, you know, this seems to be working better in Education, what about trying this in Health or Highways — well not necessarily Highways but Post-Secondary Education. We may have some input back to them, but ultimately it really is those ministries and how they gleaned and garnered their capital list in the past and into the future. I don't see there being a lot of problem with that. I don't think that's broke. If we see some improvements, I'm sure we'll mention it to them but it's really up to them to come forward with their priorities.

Mr. Wotherspoon: — The deputy minister put together some examples of sort of the consortium that would come together to make bids as a P3. He talked about a threshold of \$100 million. Certainly that's a lot of money and they're big projects and it's high stakes for all participants as well. And I know there's a lot of incredibly honourable businesses engaged to provide services government are looking for. But we also do hear at times of circumstances where unethical circumstances have occurred. And when you're dealing with such large, big projects, certainly there's the risk of undue influence or flawed . . . I guess, and some of that can be protected through process possibly and governance, and you've spoken a bit about that.

Maybe if the minister or officials could speak a little bit about what sort of robust governance structure your ministry's looking at, and what sort of considerations are being taken to safeguard the public against any undue influence of large interests.

[15:45]

Hon. Mr. McMorris: — Thank you for the question. And it's a very, very important question — not that any of the other questions weren't. But this is very important. And I think that's

why it is so important that we do the due diligence and the work up front, that we rely on, as Brian has said, rely on consultants, whether it's financial or legal, people that have been through some of these before. They're very complex.

I won't pretend to ever know the fine detail but I do know that for the most part, the more work you put in in the front end to make sure that you've got the right agreements into the future — that the companies that you're dealing with, the consortiums that you're dealing with are credible — the more work that you do on the front end, the more, I think, the greater chance of success as we move forward.

I think we have the opportunity to learn a lot from other jurisdictions such as Partnerships BC, which we're working very, very closely with. These are not new to Partnerships BC. This is what Partnerships BC does. So we can and we have been to British Columbia recently and a number of years ago to learn from their expertise. There's also the P3 Canada organization that has expertise as well.

So you take all that into consideration, and I think probably the general theme from all is to make sure that you do your due diligence and as much work up front with people that have been in the industry. There are 185?

A Member: — 195.

Hon. Mr. McMorris: — 195 P3 projects in Canada now. So it's not like we are charting new waters. We could. We haven't, we really haven't entered that as a provincial government. We could ignore all that expertise out there and try and chart our own way. I think that would be foolhardy.

So that's why we're doing the work before. On some projects it may mean a bit of a delay from what we had anticipated. If we are going from the traditional to a P3, there may be some delays because we need to do the work up front to make sure that, number one, there's value for money. And if that proves out that it makes sense, that we have the proper structure in place to evaluate the bids that come in and make sure that the taxpayers of the province are in a good position.

But I think it's extremely important to realize that 195 have been done within Canada. I think you could probably find some that maybe didn't have as good of due diligence up front, but we can find many, many examples that have been very successful. We want to duplicate those successes.

Mr. Manning: — So just maybe to support the minister's comments. The P3 industry in Canada is about 10 years old and it started in BC [British Columbia] and then has gone across the country, and every major provincial jurisdiction has had P3 experience. I think the only province in Canada currently that does not is PEI [Prince Edward Island]. And as the minister mentioned, there's 195 projects either in development or have been completed to date here.

So 195 projects, 10 years the industry has been in place. It has matured to a significant degree here. And the national P3 organization, CCPPP [Canadian Council for Public-Private Partnerships] in Toronto, at their national conference in Toronto last November, indicated that since 2005 — so if you can

imagine 195 projects, and the vast bulk of that would have been post 2005, and post — there has not been a major issue as far as improprieties or concern on these arrangements.

Once we get to a certain point in procurement, then walls start to go up where proponents cannot meet with or lobby, and in a case like this, say, with myself, the corporation will identify only one contact person that that particular consortium or proponent can contact. So they would be excluded from the process if they violated those conditions.

The other thing I'll mention is that with every P3 project there is a fairness advisor that is appointed. And so this fairness advisor would be someone that is not familiar with the organization or individuals within the organization. And so I give you an example. In Alberta, I did chair the first bundling of schools. At each one of my meetings that I would chair, there would be a fairness advisor in attendance to make sure that the meetings and the material was conducted in a consistent, transparent, fair manner. That that one proponent wasn't given additional information or an advantage over other proponents here. So throughout the whole process, there's a fairness advisor who's independent, observing that the process is as it's projected to be when the request for proposal goes out.

I think that's one of the reasons why, since 2005, there hasn't been, you know, any improprieties on these projects. It's well scrutinized, well vetted, and well critiqued here at the end of the day. And last thought, at the end of the project, then the fairness advisor does table a report, and most jurisdictions will make that available.

Mr. Wotherspoon: — The role of the fairness advisor, it's suggested they're independent. How is it? Out of what office, I guess? Do they flow out of potentially then an office of the Assembly that's independent of government, or how is their independence achieved?

Mr. Manning: — So no, the individual would come from the private sector. So an example, with the ring roads around Calgary and Edmonton, it would be the individual that fulfilled that function was an experienced lawyer. And so he came from the private sector and again, as I say, sat through all of the processes, the meetings, reviewed all of the material, made sure that each proponent got the same information on either the RFQ, the request for qualifications, or the request for proposals, and then sat in on the presentations to make sure everything was consistent.

So the individual is usually very professional, tends to be either on the financial or the legal side — probably in reverse order, probably on the legal side — someone that's well recognized as experienced, as a fair arbitrator or a fair judge, if you will, in that regard, but does come from the private sector, totally independent of the province or the public service.

Mr. Wotherspoon: — Who are they compensated by? How would that individual be chosen?

Mr. Manning: — That would be part of the procurement costs of going forward. So the individual . . . There will be a steering committee that will be attached to that particular project, and the steering committee would make the determination here of

who that individual is. The individual is usually well-recognized, so as an example the fairness advisor for one of the ring roads — and so the one I held up, the Southeast, Stoney Trail for Calgary — this person was the fairness advisor for all of those segments, so experienced in the P3 process on ring road procurement here. So they tend to be people that will stay from one part of the project to another, rather than changing those individuals. Schools in Alberta, same thing. The first two bundling of schools, I do know the fairness advisor was the same individual. That individual by the way was a CA. So again, it's usually professional expertise that we look for coming in as a fairness advisor. Totally, though, independent of, again, the process here. There's no affiliation whatsoever with either of, any of the potential proponents here, or those making up the steering committee as this goes through the procurement phase.

Mr. Wotherspoon: — Total independence is something difficult to achieve and it typically needs a fairly robust legislative framework around establishing such as a role. So it's just difficult to achieve. I know we even continually look at our own independent officers of the Assembly, for example, and are looking at how do we ensure that they are . . . have the legislative supports that they need to make sure that they're totally independent. So I don't quite see yet. So I guess the question is, then this individual would be chosen out of a process by a steering committee? How is that steering committee formed? Who chooses who sits on that steering committee? Is there a . . . are there some . . . Is that done through your ministry, or how are those individuals chosen?

Mr. Manning: — If you look at . . . And again our definitions of totally independent . . . But what I mean by totally independent would be, those individuals don't do business, in this case with Alberta, you know, with the Crown. So to my mind, that's my definition of totally independent. And I know it differentiates a bit from a legislative perspective.

So the steering committee would be made up of deputy ministers that make the final determination of who's the successful proponent. So that that's where the determination is made. Now again, when you look at fairness advisors, my sense is, in Alberta, there's a handful of experienced, qualified individuals. And so it's not like you're choosing from, you know, a list of a hundred people or so and you can bring in anybody. You could bring in a retired judge as an example. But they tend to be . . . These projects tend to look at people that are very experienced as a fairness advisor to make sure that there's no initial learning curve issues here. So they again tend to be very experienced.

Mr. Wotherspoon: — They report to . . . The steering committee's composed of deputy ministers? Is that what I . . .

Mr. Manning: — I didn't say they report to the steering committee. The fairness adviser will sit in on all the meetings, as I mentioned, review all the material that's provided and, if you think more of an auditing role, then will present an independent report from his or her perspective as to whether or not procedures were followed that were set out initially in the RFP [request for proposal] that people . . . proponents responded to. So not to report to. They're an independent function and provide an independent report. It does go to the

steering committee at the end of the day.

And a last thought. If something happened during the process that the independent adviser was either uncomfortable with or thought that there might be some anomaly, he or she raises that with the steering committee immediately. So it's not like you wait to the end of the process and then find out that the second meeting, the fairness adviser had a concern on whatever the concern might be. So they have, it's a constant monitoring process, and if something occurs that causes either concern or a question with the fairness auditor or adviser, they raise that immediately.

[16:00]

Mr. Wotherspoon: — But the steering committee then is still government. It's consisted of deputy ministers so they're reporting directly back to government. It's not independent in a public sense, reporting back to the public, as far as I can gain out of the exchange here.

So if I can also have some clarification as who would sit on that steering committee. Is it exclusively deputy ministers?

Mr. Manning: — If you use the Alberta model, it is deputy ministers either that have the skill set of what that project would be and either the deputy minister of Finance or treasury board. In Alberta's case there's two separate ministries, so two separate deputy ministers in that regard. But in some jurisdictions such as Alberta, they also have a private sector advisory committee, and so that would be another aspect that the fairness adviser either (a) could go to — so both the steering committee and this advisory committee — and the report would be tabled with both entities.

Mr. Wotherspoon: — And the private sector advisory committee, how would that be appointed?

Mr. Manning: — I believe . . . Well it would be appointed by the Crown, and my sense is probably appointed by jointly the ministers of transportation and infrastructure. I'm going back in history here a little bit, but would be appointed by the Crown.

But these would be well-respected, experienced individuals in business, whether it be on the financial side, the legal side, could be construction, so well-appointed, experienced individuals.

Mr. Wotherspoon: — So as in various ministries where we have various boards that appoint individuals to serve and to serve their province, would we be expecting legislation to be before this Assembly to construct a process for appointments of those individuals, requirements of those individuals, criteria?

Behind that I think of, you know, the important role of . . . If we're talking about independence and then talking about important decisions, I think of the board as it relates to resolving municipal disputes. And you know, this is certainly enshrined in legislation and something that, you know, certainly those are big decisions, that we have a fairly robust board built out through legislation to govern disputes between RMs [rural municipality] and a municipality or various RMs.

I'm wondering: these are certainly big projects, hundreds of millions in some cases or billions in other cases. Certainly it's important that all structures that are built out to have oversight, if they're suggested to be independent, that they are just that.

Hon. Mr. McMorris: — You know, what I foresee is that I don't know if you can really compare it to independent officers or any structure that we have in place because independent officers are to look at . . . you know, Children's Advocate, children's well-being across the piece.

These are special projects. They're time-limited projects that we want to make sure that the proponents are fairly represented and can get any information and have their questions answered from, you know, whoever they're contracted to. It could be Highways. It could be Health. It could be Education. And so the fairness adviser is there to make sure that there's a proper exchange of information.

Yes I don't think you can compare it to . . . And I don't think that we would start legislating because there are so many variables in that each project is different. I mean if you're bundling schools, that's an awful lot different than if you're building a bypass around the city.

I think what is common and germane in all of these successful projects is to have these components as part of the overall process, not necessarily an individual, stand-alone officer that could then oversee all the projects. That's not what this is about. It's project-specific to make sure that both sides are properly represented and are able to get the information that they need to make sure that the project is a success. So it's kind of a time-limited offer on project-specific, and what you'd be doing is looking for expertise in those particular areas that would add value.

Mr. Wotherspoon: — It's just an interesting area. And how do you safeguard oneself on the front end of a process like this if it's new terrain that government's intent on entering into? And you know, it wouldn't be similar necessarily to, or I'm not suggesting that the route needs to be sort of an independent officer. But I do maybe see some similarity to some of the other boards that have been built out through, say municipal relations or Government Relations, to the board that resolves disputes, as one example, for our municipalities.

And those are important decisions for local people. They have consequences and impacts. These do as well. And as much of a transparent, independent process that can be achieved is really I think going to be critical to maintaining the integrity of the program outside of the debate as to whether or not P3s are the right approach to be entering into or not. But if we are entering into P3s, to make sure that they're not exploited, not undue . . . that they're maintained in a way that's principled.

So some further considerations on that may be very helpful. I wouldn't mind hearing further clarity. I see an important role for a fairness adviser. I'm not sure I hear yet sort of a structure that suggests to me that that person's independent from government, independent from . . . Certainly I hear some intent to make sure that individual's independent from proponents. That's important. And the fact being that the steering committee itself is government, so it doesn't necessarily have all of those

pieces. But I won't continue on maybe on that piece just now.

I am interested in just understanding who the proponents are. Now these are big projects. And I know we're not talking about necessarily thousands of companies; in fact we're talking about consortiums. Who are the proponents? Who are the players, if you will, in the world of P3s in Canada and North America?

Mr. Manning: — Well give you a bit of a sense. As you mentioned, the P3 projects tend to be large in many different ways, both the capital cost, the complexity of the project itself. It's a hospital. It's a major road. It's bundling of schools or waste water treatment plants, that sort of thing. So the nature of the project is quite complex.

So the proponents tend to be consortiums. In fact I think in all the cases they're consortiums. So if we come up with an RFQ, a request for qualifications, and let's say we get 10 or 12 applicants. And then we'll shortlist those down to a request for proposals. So short listing say the 12 — or 10 or 12 — down to 3, which they will then come together to put their request, their best proposal to us through the RFP process. So they, again they'll be a consortium. So it could be a national construction company or, if it's a major ring road, it could be either national or international or a combination of the two. There'll be a financing component, so there'll be a major financial company or a group of companies come together to do the actual financing. There'll be an architectural or a design component. A lot of the projects now are looking at, besides LEED [leadership in energy and environmental design] standards, a lean approach on vertical infrastructure. So they'll put their teams together to make the bid.

Now at the end of the day the successful proponent again will be this large consortium. But then at that point they . . . My sense over the last few years, they tend to then subcontract part of it, at least on the construction side. So you may have that national or international construction company taking the lead but they will look at subcontracting locally for, it could be wiring, plumbing, drywalling, that sort of thing. So at the start, large consortium, and at the end of the day looking at, once you got the award, that they tend to look at some subcontracting opportunities besides. So it's a combination.

Mr. Wotherspoon: — Thank you for that. Thank you for that answer. The discussion that talked about access to individuals and decision makers — and we entered into a discussion about making sure that the process has full integrity, is safeguarded, that undue influence isn't afforded to anyone — there was a discussion that there'd be certain contact that would be inappropriate by way of the terms of the process by a proponent with decision makers. Now those decision makers, is that the steering committee or is it inappropriate for proponents to have contact and relationship with ministers of the Crown or the Premier or just . . . I want to make sure I understand exactly what's seen as inappropriate contact.

Mr. Manning: — I'll comment on it from an official's perspective and the minister may want to comment on the political side. But as I mentioned, once we get into the actual procurement phase, there'll be an individual that will be identified as the contact person to go to if you have any further questions, if there's some clarifications required on some of the

material in the RFP, if you're requiring an extension of the deadline for whatever reason. That goes to one individual. So from an official's perspective, there's only one individual that that proponent could go to.

So that's not the steering committee. In this case, it wouldn't be myself or Lisa or other senior officials. It'll be one individual that's appointed here. And again this is a very . . . The proponents are large, sophisticated, experienced . . . Again P3s have been in Canada for 10 years or thereabouts, so everyone knows the process, respects it quite well. But if they don't, then they know the consequence is they're excluded from further continuation on that procurement process.

On the ministerial side, I'll defer to Minister McMorris.

Hon. Mr. McMorris: — I think again we kind of go off of the lead that has been developed in other jurisdictions and other provinces, in other provincial governments. That's why it's important to learn from them because this needs to be an absolutely clean process.

I think that these projects that we're entering into are large and, as was said, complex. It's usually a consortium. It isn't one company lobbying a minister or a Premier for that contract. These contracts, they're tendered. There's a huge process that, you know, the successful proponent will have to go through before they're awarded, you know, to be successful.

And I'm just in my head trying to figure out where the influence could be put on, because they're such large proponents and there's a process and all the work that is done leading up to, you know . . . And again, I guess I would say we go from best practices in other jurisdictions to make sure that if there is kind of any influence that's tried to be waged on a political figure, I think that would exclude that company automatically from proceeding on with the bid.

Mr. Wotherspoon: — Thank you for those answers. Now have there been any organizations or companies or people that have I guess directly urged yourself, as minister, or cabinet or certainly Premier, to be considering these steps towards P3s? So I guess who's engaged to urge government to look in this direction, whether you want to call it lobbying or advocacy or whatever voices have been brought forward?

Hon. Mr. McMorris: — I think there's probably two parts to that question. Who's urged the government to move in this direction? The government itself. Governments have been looking at it for a while here in Saskatchewan. Other jurisdictions have moved on it. We're looking at, as I said in my opening remarks, the infrastructure requirements to ensure growth continues on into the province.

We also feel that just doing every project the traditional way, some of the projects will be decades before we get to. So we're looking at all the tools that we can look at to move some of these infrastructure projects forwards, and P3 would be one of them. So I wouldn't say that anybody is urging government. We are looking at it as a government. Well maybe the general public is. I don't know if I've had too many people that haven't, in the Southeast, asked me about bypasses in White City and Emerald Park, Balgonie, Pilot Butte. So the general public is

certainly pushing government to look at infrastructure. And I would say often when I talk to people about infrastructure, they say, look at all the options. They want to see that infrastructure built. And I think that would be probably common on the education front. I tend to look at highways now, but education and health care.

[16:15]

So as far as who's pushing us, perhaps the general public. But we, as a government which are, you know, are looking at the options, have I been . . . It's an interesting question. Have I been approached about P3s? I can say yes. There are a lot of people out there that have heard the word P3 and think, I can do a P3. And a lot of people that have come that have also expressed interest say, we've got experience in P3s. I don't know whether they do or they don't, and it's not me that's going to be choosing them as a proponent — certainly not. This is done through a proper process.

I do know that I think there are a lot of — and this is a general statement — I think there are a lot of people that think they have expertise in P3s, but I'm not so sure that they can back up that expertise. I think when you look at these major projects of \$100 million or larger, that limits the field. I think that screens the field, and certainly the process that we're going to be going through before an applicant is . . . Number one, the value for money and then the whole process after, if it makes sense, the whole process after will certainly screen a number of people that are coming to me, certainly not on a daily basis, but that have come to me that would love to have a meeting with me and say, boy, I can do a P3 for you. Well, I'm not so sure you can. I don't know if . . . And I don't want to rule them out, but I don't think they have the expertise that we are looking for.

There is, you know, going to be a strong process that they're going to have to go through whoever the successful bidder is. And it usually isn't a person; it is a consortium that will be bidding on projects that, you know, we're saying \$100 million is the threshold. Many of these projects will be well above that and that tends to limit the people that feel . . . There's lots of people that feel they can do it, but I think it limits the ones that are qualified to do it.

Mr. Wotherspoon: — As far as the Saskatchewan construction industry and Saskatchewan construction companies, has the minister or the ministry heard of various concerns as it relates to P3s or considerations that they feel need to be considered through this process?

Hon. Mr. McMorris: — I haven't. I haven't heard many concerns. I know you've spoke of a report, an article, where there was some, what I would probably say are subcontractors that were concerned that they weren't part of a project. And you know, I mean again, a consortium is going to be the overseer, and they're going to take in contractors and subcontractors to do their work. I can't, you know, necessarily answer for their process per se, or maybe more importantly their decisions as to who they accept as a subcontractor .

But I haven't in as far as . . . and I've talked to the Heavy Construction Association and the Construction Association. I really haven't heard many — or any, I can honestly say — I

haven't heard any necessarily complaints or saying, absolutely not. Don't look at this. Don't move in that direction. It's fraught with all sorts of problems. I've probably heard more of the other — that we have huge infrastructure needs, we need to get these moving.

Most of the companies know that it's a competitive business out there. They may not be the lead, but they would look at this; if this project is going ahead, it means a better chance of them getting work. They may not, but they have the opportunity to bid on it. They have a better chance of getting work on a project that's going ahead than a project that stays on the shelf.

Mr. Wotherspoon: — Have you spoken . . . or I guess spoken is maybe the wrong piece. Have you done some analysis to look at the Saskatchewan construction sector and have an analysis of who may be sort of excluded in participating in P3s at various levels? I suspect that, certainly into the consortium level, there's a select few that may be able to participate there by way of subtrades and different relationships. Certainly there may be opportunity extended broader at that level. But certainly I think there have been concerns raised in other jurisdictions by industry as to the potential exclusionary nature of the structures of P3s. Certainly that activity, that investment, those jobs are important to Saskatchewan companies as well.

Have you done some analysis to understand who will and, I guess, who could be involved in consortiums, and who may be involved in another way by way of subtrades, or who may not be involved at all?

Mr. Manning: — I mean the simple answer is no; we haven't done that analysis. But based on, you know, the experience — and again using Alberta as an example only because that's the experience that I have — initially with some of the first P3 projects, there were concerns from some of the smaller contractors and subtrades that they would be excluded from these large projects that the minister talked about, \$100 million and up.

But as experience was gained, there was the knowledge that, again, if I'm a small contractor or a subtrade, I was finding out that I had an opportunity to approach the consortiums and negotiate a subcontract with them. So initially it was viewed as a threat, and then probably after a year or two of experience it was the converse. It was being viewed as an opportunity that I wouldn't have partnering with a large consortium other than, you know, through this P3 experience. But again, we have not done the analysis.

The other thing with Saskatchewan, what I have heard from some of the larger national construction companies, is seeing Saskatchewan as an opportunity — a growing province, good economy — with that comes growing infrastructure needs. Not only of looking at doing business within Saskatchewan, but having a longer term permanent presence within the province. So again, haven't done the analysis, but with some of the discussions I would be surprised that that wouldn't be the case. And again the other aspect is, if you look at the ring roads around Edmonton and Calgary, and a conservative number when that's completed . . . Edmonton will be completed, the last part of the ring road is being constructed right now. So that will be completed within a year or two. Calgary, it's three-quarters

done, just need to do the southwest quadrant and that's done.

So the conservative number's probably 8 to \$10 billion worth of construction on just the ring roads alone. And so I'm not aware of concerns with the Saskatchewan Heavy Construction Association. But I can mention — and their counterpart in Alberta had no concerns — when you look at that extra business plus the other ongoing construction needs or opportunities of a growing province.

So again they looked at it on the converse as, this is additional opportunities here, rather than, I'm going to be excluded from these capital projects. So when you put it all together, I think the initial reaction was probably looking at it from a negative perspective. But it quickly turned positive once experience was developed and opportunities presented itself.

Mr. Wotherspoon: — Thank you for the answer. Looking at a particular case, maybe just looking at a school for an example, what happens if that company fails through that process? I suspect it falls on to government at that point in time, or what controls are in place or what actions occur if and when a company fails?

Mr. Manning: — Actually it's the converse. And rarely, by the way, of those 195 P3 projects, rarely would you have somebody defaulting, you know, on the financial obligations of that consortium so . . . It does happen, but that's extremely rare. What would happen in that case is, as the consortium is putting their proposal together and they're bringing their financial partners in, they will have a backup plan B if their finances — whoever is financing them — gets into difficulty.

So first of all, they will have a thorough vetting of the balance sheet, the financial healthiness of that company, and they will have an alternative backup plan. And if that company gets into financial difficulty for whatever reason, that they still have access to the resources that they need. The penalties of not doing that are so huge, that they do have to make sure that at the end of the day that the financial bench strength is there.

I think the last thought that I would leave would be, in part of putting their financial arrangements together, they'll also reinsure their risk. So they'll move part of that risk over to the reinsurance market here. Again if there's a draw on a company's financial obligation, and they can't meet it, they will reinsure part of that risk. They'll also have another financial company there to fulfill that obligation if need be. But that is usually a very rare occasion.

Hon. Mr. McMorris: — I think if I could just add, and I think that's one of the other attractions to this whole process and looking at possible P3s is that, I think, instead of the way you were looking at the question, or the way the question . . . The way I interpreted the question is, there is great risk for the province. I would say the opposite. I think it reduces the risk that provinces have on these projects. Because the risk goes on to the supplier as was mentioned, or the financier. That's where the risk goes on, as opposed to greater risk for province. I think most provinces that have moved in this direction are attracted because it takes risk away from them, because of the agreement, the way it's structured.

Mr. Wotherspoon: — I think that most evidence would suggest that some of that maybe depends on how you're analyzing that risk. And there may be some roles and responsibilities taken on by another level of . . . or by the private sector through doing that. Certainly agreements are in place, but I mean it's not . . . this is, as you say, 10 years of history in Canada. That's new. That's young.

And certainly we see large industries and large companies that fail regularly from a global perspective and a North American perspective, and certainly industries that are heavily regulated and that have a direct impact on the lives of people. So we just, you know, I think we should be cautious against being a tad naive in understanding the complexity to the relationships that are in place here, their relationship to capital markets and to securities and all the other structures that are in place there.

And recognizing just the discussion around risk, you know, it sounds pretty ideal that it's risk-free for another entity, the private sector, to deliver infrastructure that we need and that they have assurances and insurances and agreements to, and back-up plans to do that. That sounds, I think, a tad idealistic. At the end of the day, we're responsible for the infrastructure that the people of Saskatchewan require. And whether it's a power plant in the North or whether it's a school in a community or a bypass in Regina, ultimately the government maintains a responsibility to Saskatchewan people. And I think that that goes beyond maybe what we can necessarily expect out of that private sector relationship that's fairly new here in Canada.

But certainly most of the projects, I would suspect, are probably entered into by the companies because they're healthy for their bottom line. So I suspect the viability of those companies are going to be quite strong, which is part of the concern as well. I mean these companies of course aren't coming in and structuring these complex arrangements for goodwill or for charity. Nor should they; that's not the role of the private sector. They're doing it for profit and from the good economic sense that's there.

But at the end of the day governments, I would argue, maintain a level of risk and responsibility, whether it's the roof on the school or the viability of a highway project or the safety in a classroom or the sustainability of a power plant. And I think that that goes beyond any market crisis that we see sometimes around the world which tends to continue to surprise, you know, legislators and governments around the world. So at the end of the day, the ultimate responsibility is on the backs of government.

[16:30]

Just by way of some of the discussion around, I guess, the return that these companies are looking for, these consortiums are looking for when they're entering in, what sort of a return are they looking at for their capital or their sort of margin?

Hon. Mr. McMorris: — Just on your preamble, I just wanted to touch on the preamble. And then I'll try and answer the final part about what is in it for the company, what is their return. I'll try and answer that secondly, and then I'll rely on Brian to fill in all the blanks that I've missed.

But first of all, you talked a little bit about responsibility. And I would agree completely; it is government's responsibility. We are the ones that are responsible for this infrastructure that's needed, and we will never step away from that. It's our responsibility to make sure that we have the proper complement of schools or the proper infrastructure around a city, be it a ring road or a hospital. That is government's responsibility, absolutely. Government's responsibility also is to make sure that it's built in a timely manner.

I would say on the risk side, so yes, it's government's responsibility, but if government can step away from some of the risk and move it off to the syndicate or the group that's building it through agreements, I think that's responsible government. It's making sure that we don't have that risk into the future, and it's all the way the agreements are structured as you move forward. And there are great examples across Canada where the governments have structured those agreements, where they feel responsible for delivering the project but they feel that the risk is not as great as if they were doing it on their own in a smaller, conventional-type financing structure.

On the return to companies, we really don't know what the return to a company is. What we do is we look at what it would cost to build it in a conventional manner, what it will cost to do it through a P3, and make our determination then. We wouldn't have, nor should we really be as concerned with what the return to the company is. They need to build that in. What we need to know is what would it cost us to do it a conventional way? What does it cost us to do it in a P3 way? And if that makes good financial sense, that's the way we would move on it because what the projects have shown is that they come in on time and on budget, which hasn't necessarily always been the case with conventional construction in government.

Mr. Manning: — So when you look at the P3 industry in Canada, the 10 years to me tells — and 195 projects — it's matured and it's experienced. Now the definition of 10 years, whether that's mature or new, now we'll have our own personal thoughts.

The only thing I would leave there though is prior to P3s coming to Canada, Europe, particularly the UK [United Kingdom], has had a lot more experience with P3s than Canada. And so based on my thoughts of, you know, we have a mature industry at this point, I do know Europe and UK are looking at the Canadian model and approach. So from a time perspective they're more mature, but they are looking at the Canadian model because it is not only recognized globally but well respected.

To me, assuming that there is a solid business case done where there's a clear value for money that will save taxpayers money to build this particular infrastructure project through a P3 arrangement, assuming that that is clear and documented, then there's three advantages to me with a P3. The first two I think is quite well-known to most people, and that is these projects come within budget and on time. And nothing magical about that because built into the contract that's negotiated, the penalties are so severe, so significant, that there is just no choice: those proponents, that consortium has to come on time, on budget.

But the third advantage that's not known quite as readily by people is what the minister talked about, and that's the risk transfer. So during the procurement, once the proponent, the successful proponent is identified in those contractual arrangements, what's negotiated is the risk transfer. Now some risk will stay with the Crown for maybe two reasons. One is the Crown has certain responsibilities that it cannot transfer to another entity. Or it could be that that risk, if he did transfer it to the successful proponent, it's just cost prohibitive, that you will pay for that risk to go to the private sector. And there's not a business case to do that.

But on the risks that do get transferred to the private sector, that is one of the main, in my perspective, one of the main advantages of the P3 process here, is transferring those risks over to the private sector. And so those risks might be the ensuring that if it's a road, that certain standards are met, or if something happens to the physical structure of that road, that it's dealt with immediately. So there's some risks that would remain with the province through a conventional build that can get, can and will get transferred to the private sector. And that's one of the advantages of a P3 approach.

Mr. Wotherspoon: — I'm just, you know, skeptical of the concept of the risk transfer in a full and responsible way. And I think, at the end of the day this is a new industry and a young industry. And certainly there's been failings in other jurisdictions and other countries and in Canada with these projects. And there's certainly drawbacks.

And some of the concerns in the end — and they talk about risk and who's controlling what asset, you know — at the end of the day when we're looking at some of these assets that are so vital to the lives of people, at the end of the day government is unable to shirk that responsibility. I actually heard some of that understanding from the minister here. But at the end of the day when you're making commitments as a government, you should be looking well into the long term: certainly past, you know, certainly not looking at electoral cycles, I hope; certainly not looking at, you know, 10-year windows; looking much beyond those periods of time. And when you're looking at public infrastructure that impacts people's lives, it has to be for generations forward.

And a company entering in, and those companies in the consortiums that are entering in, I don't know the interest that they have 40 and 50 and 60 years down the road by way of those individuals that are entering in and making decisions and building out those entities at that given time.

There's a lot of great companies doing the work of building the infrastructure here in this province right now who deliver that in a very effective way. I certainly have caution around us believing that somehow we're transferring risk for a whole bunch of projects that we're going to be entering into that are vital to the life of people in communities 20 years down the road, 30 years down the road, 40 years down the road. It's not just about the next five years, and not just about the next 10 years, for that matter.

And as far as guaranteed and, you know, coming in on the price, and penalties that are built in, certainly tendering processes of government allow for those sorts of relationships

to be entered into now with contractors to build infrastructure for the province.

And I know typically I hear from . . . there's a couple of pieces that seem to be a bit of a concern, is that sometimes with the efforts that are placed into putting together the consortiums, the individuals, the players, to put together these bids, there's certainly huge efforts, huge costs just to put together a bid. And it was referenced here, that can certainly add to cost as well. And what can also add to cost, although they might come in at the price they bid at and that was entered into, is ensuring guaranteed pricing of that nature.

So it's not that remarkable if a company delivers at the price there, the consortium delivers at the price they've entered into, if that price is 20 per cent or 5 per cent or 1 per cent higher than could have been achieved through effective building by the ministry. So I'm always a little careful about saying, well they've met their target.

The other thing I guess there's a discussion of — and they're referred to as the syndicate, as in the consortium, these projects — and I guess it probably causes many people some concern as they're looking forward and thinking who they're dealing with. Right now if you have a problem with Indian Head school, you come talk to your government. You come talk to your MLA [Member of the Legislative Assembly]. If you're dealing with a school in my constituency, I'm there and I'm accountable, and we have the voices back into these assemblies. It's a different rung of bureaucracy, and certainly different interests that are being served. And these can become quite complicated.

And I appreciate the minister talking about the importance of that agreement on the front end because I know that that is important to a well-managed P3. But it's really so critical because I understand it can be so difficult, and maybe we can't even contemplate right now what those challenges and pressures we'll be facing in a decade or in 15 years. And some of them are simple, about whether someone has access to that school, or which groups and what times, and community access. Others might be significantly more complex.

So I guess maybe I'll look to the minister. Does he feel that if government's intent on moving in this direction . . . I suspect we'll see a host of projects that government might push forward with this process that will now be through a P3 process, where there's consortiums that are responsible to government. And that will potentially then continue if government's doing that.

Does he feel that communities . . . Let's not make the debate as simple as whether they will get the school now or next year. You bet communities want the infrastructure and deserve that infrastructure in a fair and timely way from their government. Set that aside. Does he have any concerns about how a community may feel or a person may feel when they're wanting to bring forward . . . have access to the infrastructure that's important in their lives when it's a much less direct relationship and you're dealing with that of a very large consortium or syndicate as described here?

Hon. Mr. McMorris: — Okay, that was . . . I think I got a question out of that at the end.

I think it's really important that, first of all, that we realize it's government-owned. I mean it's government's. It's not, you know, a consortium that will set school hours or access to the building. That's not part of this. It is still owned and managed, as far as those type of issues, it's still managed by government or for example a school division. It's a way of making sure that you get that capital in a timely manner. And I realize you don't want to deal with that or we've dealt with that to a certain extent. But it is still government-owned.

So if there is a school in Indian Head that needed to be rebuilt, and it was rebuilt through a P3, quite frankly I don't believe the people of Indian Head would know the difference between whether it was a P3 or built through the school division. The people in Indian Head would want to make sure they have the facility and have access. And if they didn't feel they had that, yes they'll get in touch with me, and we'll go through the Ministry of Education. And if there is an issue for example on part of the building that wasn't up to standard, that they felt wasn't up to standard, we are going to go back to that organization and say, on the structure and on the financing, but on the structure it isn't meeting our standard, and it needs to be brought up to standard at what we had agreed with in the initial contract.

[16:45]

You know, I can honestly tell you I don't believe people in Calgary know the difference between, when they're driving around on the Ring Road, whether it's a P3 or a government-owned project. They really, really don't. They're happy that the project is done. They are happy that the government has saved money.

You had said in your preamble that, well if it comes in 5 per cent higher or 10 per cent higher, then what? We could do it ourselves? We don't do it. It's as simple as that. I mean that's the whole point of the value for money. I mean we have to be assured and justified I think. I couldn't go to the people of Saskatchewan and say, I'm a strong proponent of P3s and it's going to cost us 30 per cent more than we could do it on our own. That isn't what's going to happen.

But I'm going to have an easy time I think — I hope — saying that we can build this infrastructure, and it's going to come in lower than what we could build it on our own, on time, under budget, with less risk to the taxpayer. That's what I foresee as we move forward, that I can also go to them and say, we have the infrastructure, whatever it is. And you know, I don't know if you drive at a different speed limit because it's a P3 or a government-owned. You probably don't. You know, people don't see it.

I don't believe — and maybe you do — I don't believe that people will get hung up on . . . And I'm going to, I'm sorry, I'm going to go back to a health analogy here. I don't think people are as hung up on who put that together, whether it was government or a P3. They want to make sure the structure is there. Just like — and I've used this example way too many times — but if I call an ambulance in Regina, I don't really care who owns the ambulance. I want care. And if I call an ambulance in Saskatoon, I want care. In Saskatoon it's privately owned, and in Regina it's publicly owned. What people want is

timely service.

Now that's a little bit of a stretch, but it is similar. I think it's similar to how people feel about the projects moving forward. They want to make sure that their tax dollars are secure, that they're getting the projects for what it would cost or even below, that we still have ownership and control. I believe all that's built in.

And I know you — and you have, and fair enough because we need to be aware of those — can point out a couple of projects that haven't been successful. Absolutely. But we can also point to many, many projects that have saved the taxpayers money.

Just on the flip side we can, on government-owned capital, we can point to projects that have gone south on government, on government-owned capital. And we can point to a whole bunch that have been very successful. So I feel quite confident on it.

Mr. Wotherspoon: — One of the greatest concerns that I have as we look at it is ensuring that level of control and certainty into the future. It is also one of cost, and certainly there's a very large body of evidence and research that suggests this is a more costly approach. A lot of that evidence and research would point to this simply being a more convenient financing structure or scheme of governments.

And I know today it's been talked about just how complex these financial structures are, you know. And I think that some of the analysis has been that it's been a sort of creative financing tool of governments who really at times aren't willing to come to terms with just the full cost of the pressures and challenges and realities that they're facing in looking for different ways to book an account for these expenditures.

What I would ask for here is just some clarity. And I believe actually the deputy minister has some background as well in finance out of Alberta. How are these projects booked by way of a liability and a cost? And how is that different — if he could walk us through it or if the minister could — as to traditional projects? And we'll just use a very small project, maybe a \$100 million project, which might be three schools. I don't know if that number's right or not.

But sure we'll use the Saskatchewan Hospital, \$100 million, and use that as an example. And how does that show up on the books if it's recorded in a traditional manner where the public tenders it, has it built by the private sector, and owns and manages it into the future, or if it's done through a P3? And specifically speak to the liabilities and debt that are recorded.

Mr. Manning: — I think there's two components to your question. One would be on the future obligations for paying this project over time. And so those obligations are factored in the business case that I talked about before, and determining what the value for money is. So the value-for-money determination is just not the upfront capital cost to build that facility if it takes three or five years to do that.

So those obligations are factored in to the determination of the value for money. And as the minister mentioned, then if that value for money reflecting those out-year obligations is more than the conventional build, then we won't do that. In fact the

corporation will not make that recommendation. So those future obligations are factored into the total cost of the project and whether or not there's a significant value-for-money advantage to go the P3 route.

So as far as the accounting procedures are concerned, what I can speak with a little bit of comfort would be Alberta's approach. I think it's fairly similar to Saskatchewan's approach here. And again I talked about, you know, the five-year history of, or sorry, the 10-year history of P3s in Canada. Probably in the early year or two, some provincial jurisdictions did see this as a method of getting your debt obligations for that capital off of their books. But my sense is that across the country, that does not occur now and has not occurred for quite some time.

So P3 projects today, once that commitment is made as far as entering into a contractual arrangement with that successful proponent, then that liability is recognized, and it is placed onto the province's financial statements here. So if the province decides to proceed with a P3, the accounting treatment for that P3 project, it's in accordance with accounting policies and reporting practices both of the province — so of the Government of Saskatchewan — and as recommended by the Public Sector Accounting Board, PSAB, which provides accounting treatment recommendations across the country. So the liability is recognized similar to, if you will, a capital project that goes through a conventional design build process.

Mr. Wotherspoon: — Thank you for that answer. Maybe some of the concern from people is the public sector accounting standards that you reference aren't complied with by the province of Saskatchewan. So the one that you're referencing would relate then to what they call the summary statement of course, which all other provinces utilize to sort of communicate the state of their finances.

The concern in this case is that, you know, our government focuses fairly heavily on what they call the GRF [General Revenue Fund] statement. And so these obligations, unless you can tell me otherwise, it would be my understanding they would fall somehow in a recording into the summary books and possibly in an amortized sort of a way. But they wouldn't be into government proper, where it would right now if government was building projects and sending dollars to build infrastructure. Could the minister . . . Is that the treatment that I'm understanding that that's where the debt and obligation would be recorded?

Hon. Mr. McMorris: — First of all, I would need to correct the preamble. Even though the Minister of Finance isn't here, I think he'd be quite upset if I didn't correct your preamble. I don't think I could go talk to him tomorrow.

You have said that we aren't following proper accounting principles. In fact we're going past. We offer both summary and GRF, which is more than the former government did for many, many years. It only offered GRF for many years, and then it eventually moved to summary and GRF, as is what we are doing right now, right now, is offering both financial statements.

The summary financial statement is developed as it is in every other province. I would argue that we're even offering more

because we do not only the summary but the GRF. And we could certainly . . . And I don't want to get too far into it because I know the Minister of Finance does a much better job in describing this, but I think the preamble is incorrect, that we're not following proper accounting principles. I would say we're going past by offering both statements, which again wasn't the case many years ago.

It depends. As we move forward, as was mentioned before, we'll be following again recommendations from the accounting community as to how these are looked at. There are variations. I mean it's hard to just pin it down to one exactly where it's going to show up because there are variations. I mean a health region or a hospital is handled even today different than what a highway is handled of government-owned capital.

So it's very difficult to just kind of paint it with one brush and say this is exactly how it's going to be handled because the assets vary as far as the responsibility as it moves out. So this would be certainly part of the discussion and dialogue as we move forward. But the intent is not to . . . I think you used the word schemes or other terms that were trying to imply that we're trying to hide the responsibility as we move forward. That is simply not true. These will be properly accounted for, as has been done in other provinces, properly accounted for so the general public knows what our responsibilities are into the future.

This isn't, as I had stated in one other previous answer, this isn't that we're charting new waters for the first time and we've come up with some great financing scheme to make sure these projects happen, but nobody understands the liability and responsibility into the future. That's not the case at all. This is an opportunity to learn from best practices from other jurisdictions, not only provincial governments, but municipal governments.

I love to talk about the different examples in Manitoba and in British Columbia under various stripes of governments, that these projects have moved ahead. They've been accounted for correctly. The general public knows what their responsibilities are as they move forward. But they've dealt with some of the infrastructure pressures that those governments have seen, as we need to deal with some of the infrastructure projects and pressures that we're seeing with unprecedented growth in this province, growth that we haven't seen for 60 and 70 years.

It puts new pressures on a government, absolutely. I would realize that perhaps previous governments before us didn't see that growth and didn't have those pressures. But we are realizing them. It's real — 80,000 more people in the province over the last six years. I've used this example way too many times, but I'll use it one more is I grew up close to this town of Weyburn, city of Weyburn. And we used to think it was a thrill to get to the city of Weyburn which was 10,000 people. Well we've got eight more Weyburns in Saskatchewan in six years, so definitely pressures with growth. And that's one of the real positives, to have to develop a corporation such as SaskBuilds to deal with that growth, to deal with the overall infrastructure needs of a province, and look at best practices on financing some of these projects as we move forward.

Mr. Wotherspoon: — I think we have some space that we

certainly agree, Minister. We certainly seem to be both understanding of the infrastructure pressures facing our province. And I can say that it's critical that we be as effective as we can in meeting the challenges, whether they're in Yorkton or Weyburn or Regina or Saskatoon or the Far North. And really when we think about the outlay of dollars and the commitments that are required, we need the best bang for the buck, the best return on our investment. We need to be the most effective in responding to those challenges. Certainly that's where I have put on to the record, and we don't need to continue the debate here today on these pieces. I think we have some difference of opinion on this perspective.

But I have concern around the high cost associated with this structure, in evidence through a body of research, evidence through projects in other jurisdictions, and also concerns over control as we move forward as a province, not just two years forwards and towards an election, but many years forwards, generations forward.

By way of any reference to accounting standards, you don't need to take my word for it, of course. I read that auditor's report quite carefully. And I've never seen her describe what the province of Saskatchewan does as sort of an extra special deal because they do two sets of books, but what I read in that is that Saskatchewan is non-compliant with public sector accounting standards. I do think it's time for us to shift into the future.

And one of those reasons that is important is we're now seeing, you know, a new financing structure or scheme, if you will, Mr. Minister, being entered into by government. And the proper recording and accountability and transparency back to the public's important. In fact I would say if the government's so intent on pushing forward with this process, that it should be further impetus for this government to move towards compliance with public sector accounting standards and reporting on the summary basis, which we repeatedly see from this government a focus on the GRF statements which aren't an accurate picture of the full state of our finances.

But that's for another day, and we can follow up, you know, together on that. And I can certainly follow up with the Minister of Finance. I will say you sort of keep a calmer demeanour when we enter into this discussion than the Minister of Finance when we have this discussion.

Before we close I certainly do want to thank . . . I think there's some good attention out of this organization paid to the infrastructure needs of Saskatchewan. I think by way of the P3s I put forward and on to the record a lot of concerns into choosing that approach, but we certainly can share that we have infrastructure pressures as a province and how can we be as effective as possible in addressing those. And I think there's some good discussion around how does a ministry . . . And I appreciate what the minister's put on the record about putting forward longer term commitments to ministries and to school boards and to health authorities by way of infrastructure plans. I do believe that could be quite helpful in the long run.

On the other side of it, as I say, I have concerns over the P3s. And just as we close I would be . . . I see the Chair telling me that my time is up. I would be, you know, I'd like to thank

officials for being here. I'd like to thank the minister for being here and I guess I would just look to the minister as well if he can offer a comment with the Saskatchewan Hospital in North Battleford in closing. I've heard that the decision's been made to go ahead with a P3 for that infrastructure. Just to verify that that decision's been made and just the basic structure of it. I hear that 50 per cent of the capital will be coming possibly from one of the other ministries. If the minister could just speak to that a little bit, that'd be helpful.

Hon. Mr. McMorris: — Thank you. I'll just be very brief on that piece, is that I wouldn't again take the premise of your question that we are going to do a P3. We are looking at a P3 for that project. If it makes, if there's a value-for-money study done and it makes sense, we would move forward on a P3. Only if there was a value-for-money done, study that showed a return for the taxpayer. Just like has been done by the Conference Board of Canada when they've looked at 19 P3s across Canada. So far they've shown that, I believe it was 17, it's not right here but they've delivered anywhere from a point eight per cent to a 61 per cent value for money for the taxpayers. Anywhere from a few million dollars to \$750 million benefit to the taxpayer. So we're going to take advice, not advice but counsel from the Conference Board of Canada that's looked at P3s.

In fact we may even take some counsel from the federal NDP [New Democratic Party] who did a supplementary report regarding P3s. And I need to quote this on the record, that the federal NDPs, here's what they had to say, "The P3 model can enable greater value for money for some infrastructure projects." Couldn't agree more. — not all but a value for money for some infrastructure programs where it provides qualifiable, value-added benefits and ensures maximum transparency and integrity in the process used. Couldn't agree more. I wish you would follow your federal cousins who are saying just exactly what we have talked about here today. Not only the federal NDP but the Conference Board of Canada would also agree with us.

I would also like to thank the member opposite for his questions, and especially the officials from SaskBuilds for their great advice and expertise, and the work that they've done in the first 25 weeks. I can't wait to see what they get done in the next 25 weeks. Thank you very much.

The Chair: — I'd like to thank the minister, his officials, and the members of the committee. Being past the hour of the agreed-upon adjournment, this committee stands adjourned.

[The committee adjourned at 17:05.]