



STANDING COMMITTEE ON THE ECONOMY

Hansard Verbatim Report

No. 31 – April 21, 2015



Legislative Assembly of Saskatchewan

Twenty-Seventh Legislature

STANDING COMMITTEE ON THE ECONOMY

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Mr. Trent Wotherspoon, Deputy Chair
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Cut Knife-Turtleford

Mr. Bill Hutchinson
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Ms. Victoria Jurgens
Prince Albert Northcote

Mr. Delbert Kirsch
Batoche

Mr. Don Toth
Moosomin

[The committee met at 15:23.]

The Chair: — Well good afternoon, committee members. We're back with the Standing Committee on the Economy, for those that may be watching. Substitutions this afternoon, Mr. Nilson is in for Mr. Wotherspoon. The time is 3:23. We got started a little late because the House took a little extra time today. We have two hours scheduled here this afternoon.

We are considering the estimates for vote 86, SaskBuilds Corporation, subvote (SB01). Minister Wyant, this is their first time appearing before the committee. Do you have any opening statements, and at that time would you like to please introduce your officials.

**General Revenue Fund
SaskBuilds Corporation
Vote 86**

Subvote (SB01)

Hon. Mr. Wyant: — Thank you very much, Mr. Chair. It's a great pleasure to be here today. I am joined this afternoon, to my left, Rupen Pandya, SaskBuilds president and CEO [chief executive officer]; and to my right, Teresa Florizone, vice-president of corporate services and our chief financial officer. And also with us today, Sarah Harrison, vice-president of strategy and engagement; and Donna-Joy Tuplin, executive director of finance.

Mr. Chair, I'm pleased to be here today to review the estimates for SaskBuilds, and in particular to discuss the important work staff in this treasury board Crown corporation are leading.

Mr. Chair, it was a very productive year for SaskBuilds. Now just two and a half years since it was established, the organization has numerous achievements to its credit, including the following. We are in construction on our first P3 [public-private partnership] procurement, which is the Swift Current long-term care centre. We are very proud to tell you, Mr. Chair, that the government is saving more than \$16 million or a little over 13 per cent on the project because we are pursuing a P3 model to deliver it. In today's dollars, the total investment is \$108.5 million over the lifespan of the contract. This includes the cost of design, construction, finance, and maintenance.

And adding to this list of firsts, we have entered the construction phase of the project. Construction on the new long-term care centre is now in its eighth month and will be completed on time and on budget in one year. Once completed, the new facility, which will be owned and operated by the Cypress Health Region, will replace three aged facilities in the community. The new 225-bed facility will have 27 additional beds and create a home-like and modern environment for those residents.

Mr. Chair, we are proud that staff, seniors, and their families were part of the initial lean design process to ensure their needs and interests would be reflected in the facility. As promised, SaskBuilds will be publicly releasing the value-for-money report and the project agreement, which was redacted to remove

only commercially sensitive information, in the very near future. This is in keeping with our commitments to run a fair, open, and transparent process. This new facility is going to be a welcome addition to the community, and I look forward to reporting to the committee on its completion next year.

In addition to the Swift Current project progress, SaskBuilds has advanced four projects in active procurement since the committee met last year. The Regina bypass will respond to the province's tremendous growth, position the region for more growth in future years, and be an important part of the broader provincial and national transportation systems. The bypass will create jobs, reduce traffic congestion, and significantly improve safety.

The Saskatchewan Hospital North Battleford - integrated correctional facility, the new Saskatchewan hospital in North Battleford will better meet the mental health needs of patients who require in-patient rehabilitation, ensuring they receive the care and support they need in a modern environment. The new complex will include a 188-bed replacement for the existing 156-bed hospital and an adjoining 96-room correctional facility that will house both male and female offenders. Once complete, the new integrated facility will provide important support for offenders living with mental health issues. It will also provide effective correctional programming for offenders, which will assist in reducing crime and contribute to public safety.

And lastly, Mr. Chair, two bundles of elementary schools in some of the fastest growing communities in this province. Combined, the two projects will deliver 18 schools on nine joint-use sites that will be ready for students in September of 2017. This is an important project for our province to address the pressures faced by existing schools in these high-growth communities.

These projects are all in the request for proposal stage of procurement. Assuming there continues to be value for money for each project, the government expects to select a preferred partner for each of these projects to proceed to construction this summer. SaskBuilds is leading this very important work, Mr. Chair, in a transparent, open, and fair manner. And I want to stress and to be clear that for all our projects, the public will own, control, and be responsible for the assets.

These are important achievements for our government. A significant amount of work has been accomplished. Mr. Chair, in keeping with our growth plan commitments to deliver critical infrastructure, this will be in keeping with our growth plan to deliver critical infrastructure that will enhance the quality of life for Saskatchewan people.

SaskBuilds' mandate is to drive innovation and infrastructure financing, design, and delivery to build the infrastructures that's needed today that can't be achieved through traditional means alone. We have committed to only pursue P3, another alternative financing approach, over a traditional approach only where there is value for taxpayers. We compare the two approaches and if, after careful analysis, it makes sense, then we'll move forward with a P3, as we did with the Swift Current project. The government remains committed to keeping Saskatchewan strong by supporting continued economic growth

with strategic infrastructure investments.

Our eighth balanced budget outlines the government's plan to invest \$1.3 billion in new and improved capital this next fiscal year. That is an increase of more than \$420 million or almost 50 per cent over last year. SaskBuilds is an important part of our success in achieving this goal.

[15:30]

But leading the procurement of five critical infrastructure projects is not SaskBuilds' only success. Through Priority Saskatchewan, an initiative we announced in June of 2014, our government recently unveiled a new procurement transformation action plan. It's a bold plan with 13 actions to significantly improve procurement and ensure Saskatchewan businesses compete on a level playing field. This procurement action plan is really about three things: ensuring Saskatchewan businesses are treated fairly and respectfully when bidding on public contracts, bringing greater simplicity and consistency to the government and Crown procurement processes, and taking steps that drive best value for taxpayers.

The plan addresses a number of concerns that were raised by industry and other partners. It is based on the input of more than 140 Saskatchewan businesses, associations, and government partners including municipalities, cities, universities, colleges, hospitals, and schools. This is a long-term commitment for our government, and we will work with industry to implement the solutions and continue to engage on an ongoing basis to ensure practices that are fair for Saskatchewan businesses.

We are very proud of this work and are hearing very positive feedback from Saskatchewan businesses and from other jurisdictions across Canada, feedback such as this from Mark Cooper, the president of the Saskatchewan Construction Association, and I quote, "... the provincial government is demonstrating its commitment to global best practices in developing a fair, balanced, and vibrant Saskatchewan economy."

Mr. Chair, I feel that I'd be remiss if I did not include the loyal opposition's critic's comments with respect to this matter. The MLA [Member of the Legislative Assembly] for Saskatoon Nutana said of our plan to members of the media:

We're glad to see a start on procurement.

It's definitely a good start. And so we're happy to see, as always, as official opposition, our job is not only to critique the government but also to propose ideas. And we're very pleased to see this is a good start down that road.

We are looking forward to working with our partners across government and Crown sector to implement these initiatives and to further collaboration with the broader public sector to advance positive change in all public sector procurements.

Before I conclude my comments, Mr. Chair, I want to note that SaskBuilds has also undertaken an important step forward in improving government's long-term capital planning process. SaskBuilds has worked closely with ministries, and the Ministry

of Finance in particular, to identify opportunities to build greater consistency and more upfront detailed planning into the process.

SaskBuilds has developed a capital planning manual and business case templates to assist ministries as they advance prospective projects for decision. And to ensure there's a consistent mechanism to support improvement and knowledge sharing, SaskBuilds is leading a community of practice with staff from across government.

As you can see, Mr. Chair, SaskBuilds has become somewhat of a centre of procurement expertise, not only in leading the exploration of alternative financing and delivery opportunities for large and complex infrastructure projects, but for developing more robust and consistent practices at the capital planning stage that will support strategic infrastructure decisions and for identifying opportunities to improve procurement in general through Priority Saskatchewan and leading the implementation of those initiatives across government and the Crown sector.

So in conclusion, Mr. Chair, I want to note that I'm pleased with SaskBuilds' performance and their many accomplishments over this past fiscal year. And with that, Mr. Chair, we're happy to answer any questions that anyone has.

The Chair: — Thank you very much, Mr. Wyant, for those opening remarks and information. And I will turn it over to the committee members if there are any questions of the witnesses. Mr. Nilson.

Mr. Nilson: — Thank you, Mr. Chair. Good afternoon, and I look forward to asking a few questions here. It's my understanding that the whole process of public-private partnerships, so it seems to be the core business of SaskBuilds, relates to allocation of risk. Is that an accurate statement?

Hon. Mr. Wyant: — I think it's fair to say that transfer of risk is a very important part of the process when we evaluate whether there's value for money.

Mr. Nilson: — So do you have checklists or public information as to how you evaluate this allocation of risk between your partners and the public or the taxpayers?

Hon. Mr. Wyant: — The answer to that is yes. We can certainly go through the analysis that we do when we do our risk assessment. And perhaps I'll ask Mr. Pandya to just kind of go through that with you.

Mr. Pandya: — Thank you for that, Mr. Chair. In fact SaskBuilds has published guidelines in May of 2014 that outline our approach in pursuing public-private partnerships. Those detailed guidelines specify an approach to quantification of risk that is, as the Chair has asked us, an important part of the P3 process.

What is unique about SaskBuilds' approach in terms of quantification of risk is that we've had the opportunity to build our model based on best practices from across Canada and around the world. And in fact our approach is a little bit different than that in other jurisdictions.

We will undertake a project-specific risk assessment, and what I mean by that is that we will bring together the owners of an asset. So if it is in fact a long-term care facility managed by a health authority, we'll bring together the officials from that health authority who are responsible for facilities maintenance for capital costs — typically that's the CFO [chief financial officer] — and other key officials from the ministries of Health and other ministries that have direct knowledge in fact of what the costs of building long-term care facilities are and what the long-term costs of operating these facilities are.

Those individuals will then collect, will convene together for a detailed risk workshop where a whole series of risks is identified for that particular project. And every particular project will be specific in terms of the particular risk profile of that project. And so they'll look at risks relative to design and construction. They'll look at risks relative to operations and maintenance, a whole series of risks across a number of factors. There's, in fact typically in a construction industry, there's approximately around 91 risks that are looked at, and then they'll look at that list to identify the risks that will apply to the particular project at hand.

After a detailed discussion, debate around which risks will apply, those members will then identify the likelihood and the impact of any particular risk that have been identified for that project, occurring for that particular project, based on their knowledge and experience in managing, owning those assets over the course of time.

At the end of the process, the quantification of the risk occurs. You're applying a cost base. Typically a quantity surveyor — and a quantity surveyor is an expert who is expert in construction cost estimation; it's used as part of the traditional build process as well — will provide a cost base which will then be applied to the risk likelihood and impact analysis that's provided by the owners of, and the experts in the risk workshop.

That risk result is then taken by our financial procurement analyst and is run through statistical software to identify the most likely probability of those risks occurring. So I think it runs through something like 10,000 iterations of modelling the different risks that had been identified to come up with the most likely distribution of those risks, to come up with a risk profile number.

That risk profile number is then used as part of a broader process where we would construct what is called a public sector comparator. That public sector comparator will identify the base costs of building the asset, typically through a design-bid build, which is the most likely, traditional if you will, procurement methodology. And other costs are factored in including the risks of the public sector building that asset, based on the detailed work of the project-specific risk workshop.

At the same time, a shadow bid, which is a P3 bid, is constructed based on industry knowledge of P3 procurement elsewhere in Canada, typically relative to that particular asset class. And ultimately in the end of the day, the delta between the cost of the public sector comparator and the P3 approach would be what we call value for money.

Mr. Nilson: — Okay. And so as you do that analysis, do you

make decisions at that stage on which steps are self-insured; in other words, the government pays and takes the risk versus insurance being purchased or the third party who might be a partner in this whole deal taking the risk? Or do you just use some standard numbers when you talk about that?

Mr. Pandya: — Thank you, Mr. Chair. So in fact allocation of, the appropriate allocation of risk is central to the process. So there are in fact risks that are better borne by the authority — in this case, government and health region — in terms of a project. Things like land assembly, utility relocation are typically risks that are better managed by the public sector in terms of any procurement project. And then there are risks that are better managed by the private sector. Those can include design error risks, construction delays, schedule delays, etc.

And so as the risk participants are going through the risk workshop, they are having an active dialogue discussion in terms of which risks should be allocated to the private sector, which risks should be allocated to the public sector. And in fact where there's in fact shared risks, they'll identify those shared risks. And all of that information then feeds into the processes outlined previously.

Mr. Nilson: — So in your comparator that you talked about at the end of your description of the process, do you have real numbers or real values that relate to these different risks that are there? And you said there were 91 possibilities. Probably any one project has maybe half of that, 40 to 50 risks. Would that be an accurate statement, or do they usually get the full 91?

Mr. Pandya: — Thanks, Mr. Chair. So in fact each project will be specific, and so each project will have a different number of risks. Some projects may not have site condition risks, for example, and so that would just be dependent on the project itself. So some projects might have all and some might have something less than half. I don't know if it would be fair for us to say at this point in our organization's history whether or not there's an average or not just because of the different asset classes we're looking at. And each asset class would have a different risk profile in general, just for information.

Mr. Nilson: — No, I'm just asking this question because last night we were hearing about risks that weren't predicted in the whole area of, you know, energy and mines and forestry. We're now, you know, 20, 30 years later, government's on the hook for a big chunk of money for a mine or for a pulp mill or something like that. And that's the same kind of issues that can arise in the projects we're doing here. And so my question relates to the fact that many of these risks are difficult to quantify. And who do you get to do that authorization? Now . . . anyway, I'll just ask that question.

Mr. Pandya: — Thank you, Mr. Chair. So as I said, we bring together the experts who actually have a working knowledge of how assets perform in the province. So if it's a school or a hospital, we'd bring together the facilities maintenance adviser from the school division and/or health region. We'd bring together the parent ministries who would be providing capital budget to those authorities in terms of building assets. So we'll bring together those people who have the most expert, direct knowledge of how assets are functioning in the province. And so for each project-specific risk workshop, we try to assemble,

well the ideal team in terms of answering the question of what those risks are.

I would also add that risk is of course part of every project and, matter of fact, is fundamentally part of traditional procurement and is at the root of why government is pursuing — for large, complex procurements that have been identified for P3 — that we would undertake a more rigorous process around risk. I think it would be fair to say that there's an interest on the part of government, through the integrated capital planning work that the minister spoke about, to extend an analysis of risk into traditional procurement as well.

Mr. Nilson: — That raises the question . . . Your last answer about if there is a threshold size of project that you will look at, can you give me information about how big a project has to be before you use this process?

Hon. Mr. Wyant: — The threshold that we're using at SaskBuilds is \$100 million. We know other jurisdictions are using lower numbers. For instance British Columbia and Ontario, I believe, are using a \$50 million figure. But from our perspective, the number has to be significant enough to offset, you know, all the work that needs to be done in terms of developing the value-for-money calculation. So that's the number that we're currently using. We know that the other provinces are currently in the process of reconsidering their thresholds, so we'll wait and see what they say, but that's what ours is.

[15:45]

Mr. Nilson: — Yes. Thank you for that. I know in England the threshold is, you know, £20 million. So that's . . . What's that? About \$40 million? And that also probably explains why, in your reviewing of the elementary schools, you had to put them all altogether to get your whole project over the \$100 million.

Hon. Mr. Wyant: — Well the reason . . . I think it's fair to say that the reason that these schools are all being built at the same time is that there's a critical infrastructure need for the schools. So it wasn't certainly put together as a means to get to the P3. We just need to build these schools, and it's an opportune time to be able to do it all at once through this type of procurement.

Mr. Nilson: — I'll leave some of the more specific questions on some of the projects to my colleagues. Going back to this process that you developed, you effectively then create two sort of, I guess, model or bids: one that's a P3 version, and one that's what it would be if you just used the public financing to go ahead with the project, and then make your comparison. And I'm curious. Is that what you talked about in your opening remarks, that you're going to provide us with that report about that analysis as it relates to the Swift Current project?

Hon. Mr. Wyant: — We're just in the process of putting together the public disclosure of the value-for-money report, which will come out as well as a copy of the contract documents, which as I mentioned, will be redacted for any commercially-sensitive information. That information will be posted on the website very shortly with respect to the Swift Current project, so you'll be able to see the value-for-money calculation and the methodology around that.

Mr. Nilson: — But will it include this decision that's obviously made earlier than that about actually going with the public-private partnership as opposed to going with a public financed and built project?

Hon. Mr. Wyant: — It includes both models. So it'll identify the difference between what we'll be paying through this type of procurement versus the traditional procurement. So that will all be set out in the report. I might also add that there will be a fairness report that's also tabled at the same time, that our fairness opinion will or the fairness advisers will write and we will table, so that the public and anyone looking at the reports will be comfortable that the process that we've gone through in terms of the procurement is a fair one.

Mr. Nilson: — So are you able to tell me what the interest rates are that you used in your models or in the report? I mean obviously you're going to reveal that in a month or two, but could you give me that information?

Hon. Mr. Wyant: — We have that information.

Ms. Florizone: — Through you, Chair, the interest rate for the Swift Current long-term care facility was 4.34 per cent in regards to the plenary bond that was purchased. So that was the bond that they had actually gone on to market and received.

Mr. Nilson: — And is that for the total cost of the whole project?

Ms. Florizone: — That would be for the bond portion. There is the equity portion as well, and that is for another 8 per cent of the actual cost of the entire project where they receive a 12 per cent equity return on that for a blended rate. Then if you're looking for a blended rate, it's . . .

Mr. Nilson: — Can you please repeat that number for the equity portion?

Ms. Florizone: — Sure. It is 12 per cent return. And on that, if you're looking at the average rate, it would be 5.44 per cent.

Mr. Nilson: — So the average rate is calculated by taking the 8 per cent that's got the 12 per cent rate and the 92 per cent that has the 4.34 per cent?

Ms. Florizone: — Correct.

Mr. Nilson: — Okay. And so this, how long is the bond in existence, the 92 per cent? How long, what's the term for that?

Ms. Florizone: — That would be over the contract, which is the 30-year contract.

Mr. Nilson: — And so that bond has received financing . . . I mean some of the financing for that is through a banking institution, is that correct? Or is it on the public market? Or do local people buy these bonds? Or how does this work?

Ms. Florizone: — Through you, Chair, I'm asked to also say my name, Teresa Florizone, from SaskBuilds. The bond was purchased through a private bid through the actual plenary.

Mr. Nilson: — Okay. And so is that in the information that was on your website? Is that included in one of the . . . I guess it's not an adviser in that group, but somebody's provided some advice about . . . So who is it that lent the money, I guess would be the . . .

Mr. Pandya: — Thanks, Mr. Chair. So typically the debt financing for large infrastructure projects, whether they're P3s or other large, complex projects, can be secured through multiple channels. The banks used to play a role, prior to the financial recession of '08, in providing a good tranche of that debt financing. They're now coming back into that space again. The private placement bonds can be purchased by any number of financial firms, and so that's one of the routes. There is in fact public placement of bonds for large infrastructure projects including P3s as well.

And so in the case of the Swift Current long-term care centre, the consortia that won that project placed up a private bond placement. And they had financial firms bid to purchase that bond and they purchased at that rate of return. Those purchasers can include pension funds, OMERS [Ontario municipal employees retirement system], Ontario Teachers' Pension. It could be any range of financial firms that are looking for long-term stable investments.

Mr. Nilson: — Who was the lead group on the consortia, or the consortium here that . . .

Mr. Pandya: — Thanks, Mr. Chair. So the winning group for the Swift Current long-term care centre was Plenary Health. It's made up of Plenary Canada limited, PCL Construction Management, Stantec Architecture Ltd., and Johnson Controls Canada Ltd.

Mr. Nilson: — Okay. So they also then were the ones that arranged the financing at these rates. Is that correct?

Mr. Pandya: — Yes that's correct.

Mr. Nilson: — And so they end up handling that aspect of it on their own, and so you don't necessarily have all the details on that. Or is that something they have to provide you with under the contract?

Mr. Pandya: — Thanks, Mr. Chair. So when in fact teams are making a bid, and there's a competitive bid process, it's required in all of the projects that we're pursuing. So we'll have three project consortia bidding with active designs on the procurement. They'll each be seeking out the best debt/equity solution that they can find so that they can have the best and most competitive bid. And so each firm is responsible for identifying their own debt and equity partners.

Mr. Nilson: — And I guess my question was, does the contract require them to tell you who it is that they have as their lenders in this project?

Mr. Pandya: — So as I understand it, Mr. Chair, if it is in fact a public bond placement, it is known, and if it's a private placement, it's not known.

Mr. Nilson: — And so what's the answer on this one? Is this a

private placement?

Mr. Pandya: — That's correct. This is a private placement.

Mr. Nilson: — So then you do not know who lent the money to build this health facility?

Mr. Pandya: — Mr. Chair, so even that private placement bond has been rated by DBRS [Dominion Bond Rating Service Ltd.]. So in fact, what we'll endeavour to do is find out for you who the debt providers are for that deal.

Mr. Nilson: — Thank you. If you could provide that information, it would be appreciated. Now I know who PCL is, and I always say that they come from Mortlach, Saskatchewan even though a lot of people don't know that. Stantec, I know who they are. Plenary Health, who are they?

Mr. Pandya: — Thanks, Mr. Chair. So in fact Plenary Group is a leading international infrastructure business. It's been in operation for a number of years. They're currently operating some 34 projects valued at some \$21 billion in total asset value, and in fact have a number of projects across Canada. And so there's a number of developers who will play as part of the project consortia, as part of public-private partnerships and other large complex infrastructure deals, and Plenary plays in that space.

Mr. Nilson: — And so where is their head office, or where do they originate?

Mr. Pandya: — Thanks, Mr. Chair. They're from Vancouver, Canada.

Mr. Nilson: — Can you name one or two other projects they are working on right now?

Mr. Pandya: — Thanks, Mr. Chair. So they're currently noted as working on a justice facility in Okanagan in British Columbia. They're working on a health facility in Ontario, Peel health. And of course they're also currently working in Swift Current. They're obviously working on a number of other projects, but just to provide a couple of examples for you.

Mr. Nilson: — Thank you very much. I appreciate that. Now I may be going back, but I'm curious about the advisers that you've had which, I assume, were the advisers that helped you select Plenary Health and their group as the builders and financiers of this project. But you have as a facility consultant adviser, Group2 Architecture Interior Design. Who are they and where are they from?

Mr. Pandya: — Thank you, Mr. Chair. So Group2 Architecture is in fact a technical advisory services firm that has offices in Red Deer, Alberta and Saskatoon, Saskatchewan. All of the staff that are currently working on projects in Saskatchewan are from the Saskatoon office. And in fact they provide a whole host, as a technical consultant, they'll provide a whole host of services: architecture services, engineering services, and a range of other services. And they're currently being procured through the Ministry of Education for the joint-use schools project.

[16:00]

Mr. Nilson: — Okay. Thank you for that information. And then you have as a facility maintenance adviser is something called Pacific Meridian Consulting. Where are they located and what's their expertise?

Mr. Pandya: — Thank you, Mr. Chair. So Pacific Meridian Consulting Inc. is a facility maintenance adviser from Vancouver, British Columbia, Canada. They are currently providing services on the Swift Current long-term care centre, and they provide a range of expertise in terms of assessing both the hard maintenance and soft maintenance costs for facilities.

Mr. Nilson: — Okay. Thank you. So then the next one you have is your fairness advisers. So they're the people that'll be writing the report that you release publicly, and here it lists McMillan law firm. Is that the Toronto office, Calgary, Vancouver? Where are those lawyers located that are working on this file?

Mr. Pandya: — Thanks, Mr. Chair. So McMillan LLP, we have engaged their Vancouver offices to assist us in our project.

Mr. Nilson: — And then the insurance adviser is Aon Reed Stenhouse. They have some operations in Saskatchewan, but the advisers on this type of a project, I assume, are somewhere else as well. And what city would they be located?

Mr. Pandya: — Thank you, Mr. Chair. So Aon Reed Stenhouse Inc. insurance advisers are also from Toronto, Ontario.

Mr. Nilson: — Thank you. And the P3 financial adviser is Deloitte, and I assume that this is a Deloitte office in another bigger centre as well. Is that correct?

Mr. Pandya: — That's correct, Mr. Chair. So I would note that this is generally two of many of the P3 advisers. Saskatchewan is new to public-private partnerships procurements, and the expertise that are necessary in helping ensure due diligence on large complex infrastructure is resident in other jurisdictions in Canada. As we're continuing to bring on these advisers, we are of course interested in making sure that we can facilitate a knowledge transfer, and in fact are ensuring that staff within SaskBuilds Corporation are actually, to the extent that they are able, to shadow, if you will, each one of these consultants and facilitate a knowledge transfer.

Mr. Nilson: — And where are the Deloitte experts located?

Mr. Pandya: — That's Toronto, Ontario, Canada.

Mr. Nilson: — Thank you. And the P3 legal advisers, Bull, Housser & Tupper, and I used to practise in Vancouver so I know where they're located, although I think they might have some lawyers in Calgary. But I assume it's the Vancouver office that's being used there as well?

Mr. Pandya: — That's correct, Mr. Chair. Vancouver.

Mr. Nilson: — The P3 procurement adviser is the government of British Columbia. And they're a similar agency to yours, so they've been providing advice on the process. Is that correct?

Mr. Pandya: — That's correct. So we deemed it wise to bring on a public sector procurement partner to ensure that SaskBuilds Corporation, as it was up and running on these projects, had good public sector advice in terms of structuring our process as we moved into these deals. And in fact Partnerships BC is, as you note, from BC [British Columbia].

Mr. Nilson: — And then you've listed as your quantity surveyor costs estimator, SSA Quantity Surveyors Ltd. Is that another British Columbia company as well?

Mr. Pandya: — That's correct. They're located in Kelowna, BC.

Mr. Nilson: — So now can you . . . I mean the process that these people were involved with is over now. Is that correct except for maybe the fairness adviser? So can you tell us how much each of these consultants was paid for this work?

Mr. Pandya: — Thank you, Mr. Chair. So I can actually take you through in some detail relative to the advisers that you've asked for. So Partnerships BC, the P3 procurement adviser, public sector procurement adviser received 1,762,433 million. Bull, Housser & Tupper LLP, P3 legal adviser, received 804,935. Group2 Architecture Interior Design, facility consultant adviser, received \$1,629,745. Deloitte LLP, financial adviser, received \$146,093. McMillan LLP, fairness adviser, received \$67,328. And then SSA Quantity Surveyors is still in process, so I'll try to get you a number on that when we close our book on that.

Mr. Nilson: — Okay. And the insurance adviser, how much was that one, Aon Reed?

Hon. Mr. Wyant: — I'm sorry. Can you just repeat that question for us?

Mr. Nilson: — Aon Reed insurance adviser, how much were they paid?

Mr. Pandya: — Thanks, Mr. Chair. Thirty thousand.

Mr. Nilson: — Thirty thousand dollars, thank you. So the ones that are still in process and you don't have the numbers are the facility maintenance adviser and the quantity surveyor. Is that correct? Otherwise you've given me the numbers, I think, for all of the other ones.

Mr. Pandya: — I meant to provide Pacific Meridian Consulting, facility maintenance adviser at one hundred fifteen one hundred twenty-five. I should note just for clarification that these are committed contracts to the end of the construction period, so the dollars will actually, in some of these cases, will continue to flow until the end of the construction of that project.

Mr. Nilson: — You have some fixed price contracts on this obviously. Your P3 financial adviser has been helping you put this together. So then just doing, you know, a sort of rough addition here, it looks like it's about — what? — four and half million dollars in this process. Is that amount included when you describe the cost of the total project, or is this a cost that's in SaskBuilds separate from the Plenary Health consortium's bid?

Mr. Pandya: — Mr. Chair, all of the transaction costs for advisers that are connected to a public-private partnership are included as part of the value-for-money assessment.

Mr. Nilson: — So in a few weeks or a month or so, we'll get a statement that'll include these numbers obviously and then the overall assessment of the whole project. Is that the plan?

Hon. Mr. Wyant: — That's correct.

Mr. Nilson: — Well I mean it's interesting to see how you've put this together. And I mean, clearly you go to some of the advisers and then they provide you with information as to others who can help. Was there any effort to develop this type of expertise in Saskatchewan but not in government? So is there any requirement these groups work with local lawyers or local accounting firms? I mean obviously some of the accounting firms could move some of that expertise here, but I guess I'm asking if there's been any effort to have Saskatchewan firms do this kind of work.

Hon. Mr. Wyant: — Well as you know or just so you know, these are all RFP [request for proposal] contracts. So there's certainly fairness and transparency in that. But as Mr. Pandya has mentioned before, certainly we're new to P3 procurements in Saskatchewan, and so it would be natural to assume that we wouldn't have the kinds of expertise in Saskatchewan that other jurisdictions would have.

That said, it's very important to us to ensure that there's a knowledge transfer in terms of some of the advisers that provide advice to these P3 procurements. So that knowledge transfer is something that we're anxious to see happen within these procurements. I can say that while we don't have the expertise, we're starting to build the expertise, and that was one of the reasons why certainly there's some knowledge transfer happening.

There's a number of law firms, and we've encouraged partnerships on that front so that there could be a knowledge transfer to Saskatchewan. And encouragement is with respect to other procurements as well.

Mr. Nilson: — Okay. Well you anticipated my question. And I agree with that. So I think everything you can do to develop the expertise here would be helpful. I know you told me right at the very beginning in your opening statement what the total price for the Swift Current long-term care project was, and perhaps you could remind me what the total amount was.

Hon. Mr. Wyant: — In today's dollars, the total investment is \$108.5 million. And that's over the lifetime, the lifespan of the agreement: design, construction, and the 30-year maintenance period.

Mr. Nilson: — So that's 108.5, and that 108.5 includes the 4.5 that we've just been talking about here. Is that correct?

Hon. Mr. Wyant: — It does.

Mr. Nilson: — So then I know in your information that you've provided, you have indicated that local businesses have had the opportunity to be part of this whole development. Can you give

us now any indication of how much the local spend, the Saskatchewan spend would be on this project versus what comes from other places?

Hon. Mr. Wyant: — Mr. Nilson, I don't have the numbers, but I can certainly give you a general idea in terms of what local businesses are participating, what local industries are participating in the Swift Current project. Building backfill was provided by a business out of Swift Current; concrete foundations by PCL in Regina; design, Stantec in Regina. The electrical was done by Humboldt Electric in Saskatoon; exterior steel studs, QSI Interiors in Regina; mechanical by Modern Niagara in Saskatoon. The pilings was done by Pacer projects corporation in Regina. The site stripping and the excavation was done by Wiebe Contracting in Swift Current. Reinforcing steel was done by Montgrand Reinforcing in Lebret. The surveying was done by Altus Geomatics in Swift Current, site servicing by Knudsen excavation in Swift Current, and windows by All Weather Windows in Regina. So that gives you an idea of the local business involvement in that particular project.

I can tell you as well that as part of the procurement there are business-to-business sessions that are hosted to ensure that local businesses are made aware of the project and given opportunities to have dialogue with the proponents that are bidding on these projects. So certainly every indication that, or every opportunity is given to local businesses to be able to participate based on the procurement model that we've established.

[16:15]

Mr. Nilson: — Okay. Well I just know from the process where you use consultants and advisers from outside of the province primarily, other than the Group2 Architecture office in Saskatoon, you have all out-of-province advisers. So it makes it much more difficult for there to be an understanding of how local businesses fit into this. So I'm a bit apprehensive, but we'll look forward to getting your full report on this. I mean we know, we've had some questions about where they've gotten a lot of the materials for this project that come from outside of the province, and so there's concerns that way as well.

Just looking at the financing of this, it's \$104 million must be approximately the bid that the Plenary Health got for this, so what kind of rates did you put into that process that allowed them to bid? Or did it work the other way, that they came forward and said, the 4.34 per cent bond is what we've been able to get money at and this is our proposal? So you know, did you set a standard that they had to meet and then they worked toward that, or did they just bring forward this proposal?

Mr. Pandya: — Thanks, Mr. Chair. So as part of the competitive bid process, each of the teams that submitted a bid to government on this particular project would have, as I previously indicated, had to have found the best debt and equity solution that they could bring to ensure that their bid was competitive. And Plenary Health had the most competitive bid at the end of the day.

Mr. Nilson: — Okay. So would I be able to roughly sort this out by saying that it cost 104 million for Plenary Health, and

you're paying that amount to them in 30 equal payments over 30 years? Is that how it works?

Ms. Florizone: — Through you, Chair, yes we would be paying out the 108.5 over the 30 years through the net present cost of those values less the transactional costs that were part of the SaskBuilds that we've already talked about.

Mr. Nilson: — Okay. So the 4.5 approximately, which are the transactional costs, would be paid sooner, or they would be paid in maybe the first year. And so then whatever remains, the 104 is paid in 30 equal payments over 30 years?

Ms. Florizone: — That would be the amount of transactional payments that we would be making to Plenary, less the transaction costs that were for our side of the costs.

Mr. Nilson: — And so in that document, which is obviously a contract that they provide this home, or this project, it would include all of the maintenance costs as well. Is that correct?

Hon. Mr. Wyant: — That's correct. The maintenance costs that they're required, the maintenance that they're required to do under the terms of the contract.

Mr. Nilson: — Okay. So we know that we've had some major challenges with similar projects in the province of Saskatchewan. I'm thinking of the Wolseley hospital. And I don't know if you've done an analysis of that project in light of how you're working here, but in the end, you know, the province got the hospital and a lot of expense to rehabilitate it. I think there's a similar issue around, I think it's called Parkridge in Saskatoon. And I don't know if you've . . . Well perhaps I'll ask that question. Have you done an analysis of one or both of these projects in light of this new project?

Hon. Mr. Wyant: — Well I don't think Parkridge is really, you know, a proper point of comparison. That building was built in 1987, using a lease arrangement in which the private sector initially owned the facility, but the responsibility for the repairs and maintenance was placed with the government. In this procurement, the maintenance and repairs will be the responsibility of the proponent, the successful proponent. And again, if they don't live up to the terms of the contract in terms of maintenance and repairs, they're not going to be getting their payments that are due to them under the contract.

So in this particular case, in these cases, the public owns the asset as a whole and the private partners are responsible and clearly stated in the contract in terms of what their ongoing responsibilities are. So it's not a proper comparison to compare what we're doing in Swift Current with what happened in Parkridge. They're apples and oranges.

Mr. Nilson: — Well I think if you were teaching sort of real estate law, that you might have a slightly little different take on that answer because, as we both know, the difference between a lease and a transfer in a situation like this is a few paragraphs in your document.

But the question I have for you is, when is the transfer of ownership of the building, when does the transfer of ownership of the building take place to the province of Saskatchewan or to

the regional health authority?

Hon. Mr. Wyant: — The building is owned by the public, and it's operated by the public. So the transfer of the facility . . . The public owns this facility from the get-go, right from the beginning from when it opened. So there's no transfer of the facility; it's publicly owned and publicly operated.

Mr. Nilson: — If the province reneges on a payment, what happens? Is it litigation around a collection of a debt based on a contract then, or are there some other remedies that this Plenary Group would have to get their payment?

Hon. Mr. Wyant: — Well they're all contractual remedies. There's certain obligations that the proponent will have within the contract and, if they don't perform those responsibilities under the contract, there's an ability to withhold payments under the contract. As a result of that, any dispute that arises between the parties to the contract, if they can't be resolved between the parties, they'll be resolved in the appropriate way. So it's all dealt with through the contractual arrangements between the parties.

Mr. Nilson: — Can you tell me whether those disputes are resolved by way of an arbitration clause, or is it the courts of Saskatchewan that have the ability to deal with this? I mean ultimately the courts have the ability, but often these contracts have very tight dispute resolution clauses. Can you tell us what arrangement's been made?

Mr. Pandya: — Thank you, Mr. Chair. So the project agreement, which is the large contractual agreement that will structure this procurement, will specify in fact the escalation provisions in terms of moving an issue that may arise with respect to, let's say, an availability failure, in the context of a long-term care facility, through their appropriate steps.

There's in fact a joint operations committee that is struck between the authority, in this case the health region and Plenary, and that would be sitting throughout the course of the next . . . throughout the entire concession period. If there's a complaint that's made, it would go to that joint operations committee. If it can't be resolved there, it would be escalated ultimately, as you say, through arbitration and then finally through remedy if necessary, through courts.

Mr. Nilson: — So it sounds like there isn't a clause that eliminates the ability to go to the courts of Saskatchewan in this particular contract.

Hon. Mr. Wyant: — No.

Mr. Nilson: — Thank you. I think I'll let my colleague ask some questions. That'll give me some time to think up some more questions for you on this area. So thank you.

Mr. Wotherspoon: — Thank you very much to the minister and the officials that are here today for taking the time with us. I just want to get back to, just before we move on to some other questions and projects, the costs that was estimated in today's costs was 108 million. Could you just clarify what that amount is and what it represents and what sort of assumptions are built in around it?

Mr. Pandya: — Thank you, Mr. Chair. So in fact the \$108.5 million is the bid, the bid that Plenary Health made for this project, the winning bid for the project. It includes the combination of capital, and it's a blended payment or a blended bid, if you will, of the capital payment, the facility maintenance costs, and the life cycle payment for the asset, and it is discounted using a discount rate of 6.9 per cent. So the discount rate is a blend of both an interest rate and an inflation rate to create the net present value of the asset.

Mr. Wotherspoon: — And the number, the discount rate of 6.9 per cent, how does that compare to other projects or, you know, industry standards?

Mr. Pandya: — Thank you, Mr. Chair, for the question. So for the Swift Current long-term care centre, which was the province's first P3, we relied heavily on Partnerships BC in terms of their public sector expertise and their model. In British Columbia they use what's called the internal rate of return as the discount rate. And in fact this discount rate is very similar to all of the deals that are precedent in British Columbia that have used that methodology.

The methodology's been assessed by P3 Canada, and it's very similar to using the government's long-term cost of borrowing as a discount rate. So if you were to use the government's long-term cost of borrowing, you'd have a bit of a different deal structure, but ultimately you would arrive at the same place.

Mr. Wotherspoon: — And what would the government's long-term cost of borrowing be?

Mr. Pandya: — Mr. Chair, as of September 2014, it would've been 3.5 per cent.

Mr. Wotherspoon: — 3.5 per cent.

Mr. Pandya: — That's correct.

Mr. Wotherspoon: — But your discount rate is 6.9.

Mr. Pandya: — So, Mr. Chair, there's a little bit of complexity here. The methodology that is again used in British Columbia uses an internal rate of return as the discount rate, and again it is what is called a risk-adjusted rate of return. So it includes interest, it includes inflation estimates, and then it includes a profile for risk in a project.

And so the risk profile that's generated out of an internal rate of return is different than if you were using just the government's long-term cost of borrowing as your discount rate. When you use the government's long-term cost of borrowing, you're assuming a risk-free rate. And so then you would compensate for the risk-free rate by ensuring that you in fact had a broader risk register, if you will, a more comprehensive profile of all the risks that are, that could be present in a project.

Again at the end of the day . . . And P3 Canada has done the analysis on the two methodologies and in fact argues as part of their documents in terms of methodological equivalents that using the internal rate of return, the Partnerships BC methodology versus using the government's long-term cost of borrowing — which is, you know, the methodology used in

Alberta, Ontario, and Saskatchewan in our other projects — are equivalent.

[16:30]

Mr. Wotherspoon: — Okay. And the risk, what does that, how's that quantified then as a . . . How does it contribute to the discount rate of 6.9 per cent?

Mr. Pandya: — Thank you, Mr. Chair. So the Partnerships BC methodology — and they have actually some, I think it's called quantitative guidance for the Partnerships BC methodology — actually notes that the discount rate that is used as the baseline for deals in British Columbia is based on, as I said here previously, an internal rate of return, and it is meant to capture financial markets' perception of risk in a project.

So ultimately in any project, whether it's a P3 or a traditional procurement and if it's a large complex project, as the developers are going to the market in terms of trying to secure their construction loans, etc., there'll be an appraisal of the risk of the project. And that's a very comprehensive process, and in the process of appraising risk for a project they will ascribe an interest rate, if you will, to compensate or an interest rate factor to compensate for that risk in the context of the deal. And that's what occurs in the context of the Partnerships BC methodology.

Mr. Wotherspoon: — Now what significant factor is it, or specific factor? Is it in, I guess, coming to the discount rate of 6.9 per cent? How do you factor in risk specifically? Well I guess it was . . . Can you ascribe a percentage to it within that number?

Mr. Pandya: — Mr. Chair, if I could maybe try again. You know, maybe if I could use, by way of analogy, just try to explain what a risk-adjusted rate of interest is. So if you were to go to a bank today and say, I'd like to borrow money to open up a business, the bank has a set rate driven by the Bank of Canada and then would apply a premium to that rate to adjust for the risk profile that you would present. So you know, you may be a resident company with significant revenues and export potential, and you'd have a lower risk profile than somebody just opening up a brand new ag manufacturing company.

So the financial institutions will actually determine the risk, based on their perception of risk in your ability to conduct that particular project. So the discount rate used in the Partnerships BC methodology is in fact an investment or is a financial-institution-driven perception of risk in projects, based on their assessment of infrastructure projects, as financial institutions deal with infrastructure projects.

Mr. Wotherspoon: — And is there a greater perception of risk through this, I guess a greater cost borne then through this process? Is this where some of the greater cost around interest is then borne?

Mr. Pandya: — Thanks, Mr. Chair. And I think I believe we answered . . . We provided a similar answer to this question earlier which is the, you know, the debt solution for this particular project. So in all P3 projects the cost of borrowing, private sector finance transaction costs are higher as a general statement. And only if those costs are then offset is there value

for money in a deal. And so those costs are included in the value-for-money calculations and, if they're offset, then there in fact is value for money in a deal.

So the interest costs are included in the value-for-money calculation. And I believe earlier we reported that the debt solution for the Swift Current long-term care centre was released at, I think, point eight four per cent interest above the Government of Saskatchewan's long-term cost of borrowing. The blended rate, the spread between the government's cost of borrowing, the Government of Saskatchewan's long-term cost of borrowing and what we were charged, if you will, what has been bid as interest on this project is less 2 per cent, if that's the question.

Mr. Wotherspoon: — There's a significant reliance on Partnerships BC. Could you expand a little bit about your cost structure with Partnerships BC?

Hon. Mr. Wyant: — I hope this answers your question. We have a \$5.6 million commitment to Partnerships BC with respect to the procurements that we are currently undertaking, and for that of course they will provide a certain range of services. We mentioned earlier on in committee that one of the challenges of course we have is that we're fairly new to P3 [public-private partnership] procurement, and so looking at public sector procurement assistance with respect to having Partnerships BC associated with our procurements is important to us, you know, until such point in time as we have that knowledge transfer that we can accomplish all that work in-house.

Mr. Wotherspoon: — And what's the specific billing cost? Thanks for that information. How are you billed by Partnerships BC, or how are they setting their costs? Are they . . . say the costs for a consultant or the costs of a vice-president or the costs of a CEO, for example?

Hon. Mr. Wyant: — We don't have that information with us, but we can certainly provide it to you, Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks for doing that. I know I have some information from Partnerships BC in a table here, and I just would like to make sure if we're working from the same understanding or if you'd refute some of the numbers that they've put forward here. But Partnerships BC has shared through a table that, and I'll quote here, that:

This presents the estimated maximum supplier fees and expenses for the projects. It also presents the estimated total maximum fees and expenses of the third party consultants to be retained by the supplier on behalf of SaskBuilds.

Sorry, that's as it relates, that's table 2 and then on table 1 it breaks down into hourly rates. And what they're referencing as hourly rates that they'd be charging as fees would be for the president and CEO at \$400 an hour, VPs [vice-president] at \$325 an hour, assistant VPs at \$300 an hour, directors at \$240 an hour, PBC senior consultants so Partnerships BC senior consultants at \$180 an hour, regular consultants at \$135, and then administration at \$85 an hour. Are those the terms that the minister or ministry are aware of in engaging Partnerships BC?

Hon. Mr. Wyant: — We have no reason to dispute the numbers which have been read into the record. It would be useful to get a copy of the table that you're referring to.

Mr. Wotherspoon: — Sure.

Hon. Mr. Wyant: — Certainly initially when Partnerships BC was retained, we used more of their consulting services on earlier projects. As we gain expertise within SaskBuilds, we will use less and less of their services, but certainly we have no reason to dispute the numbers which you've read into the record.

Mr. Wotherspoon: — Have you done any analysis as it relates to some of the concerns as it relates to Partnerships BC that have been identified by the internal audit and advisory services of the province of British Columbia through the Ministry of Finance?

Hon. Mr. Wyant: — Well we've certainly done a review of the work that was done by the auditor. I would note that Partnerships BC was noted as one of the most established procurement agencies in Canada and they provided advice to SaskBuilds. There are a number of recommendations that were made. We can certainly go through the recommendations that were made and our response to those or our, you know, our position with respect to those.

Earlier on in committee we had made a note that we have developed best practice when it comes to P3 procurement. We think we have the best P3 procurement model in Canada, modelling best practices from across a number of jurisdictions. We've had the opportunity to look at what P3 procurement has been like in other jurisdictions which have preceded us in terms of this type of procurement. So our view of life is that we do have the best procurement model and I think there's a number of other jurisdictions in this country that agree with that and that will be looking to model what we're doing in Saskatchewan.

But we've certainly had a review of the auditor's report and we could certainly provide some further comment to you if you like with regard to the specific recommendations that they have made and our position with respect to those.

Mr. Wotherspoon: — Thanks for that information. The auditor's report you're referencing, could you just clarify which date and which report you're speaking of?

Hon. Mr. Wyant: — Yes, I referred to it as the audit. It was a Crown review that was done by Partnerships BC.

Mr. Wotherspoon: — It's the Ministry of Finance internal audit that you're . . .

Hon. Mr. Wyant: — That's correct.

Mr. Wotherspoon: — What were some of the concerns that you identified that came out of that report?

Hon. Mr. Wyant: — We've looked through this in some detail and we believe that generally speaking our procurement model in Saskatchewan mirrors best practices. So we've looked at what we're doing in Saskatchewan versus what was set out in

the Crown review and we think we've done very well.

I think it's fair to say that with respect to the recommendations that were made, that generally speaking the recommendations were consistent with what SaskBuilds practices are. There's a number of them. I mean we can certainly read them all into the record, but certainly our perspective is that we're consistent with the recommendations that have been made through that Crown review.

Mr. Wotherspoon: — Just looking at some of the items that were within that report, I'd appreciate your perspective on a couple of pieces. I'll quote from that report:

There is a concern that Partnerships BC is potentially biased towards certain procurement methodologies because it is mandated to be both a self-sustaining organization and an adviser to government. This creates the perception that Partnerships BC's advice may be biased towards revenue generating opportunities for the organization.

How do you take a statement like that or how do you evaluate . . . What's your perception of that concern?

Hon. Mr. Wyant: — Well first of all I'll say this, and I've made this comment publicly before: we don't believe that this procurement model is a panacea for capital development.

I can also tell you that SaskBuilds does not charge the Government of Saskatchewan for the services that it provides, so from that perspective I think that our operational model is somewhat significantly different than Partnerships British Columbia.

[16:45]

Mr. Wotherspoon: — Sorry. Can you just clarify that final point there. I missed just the final part of your statement that you made there, that Partnerships BC doesn't . . .

Hon. Mr. Wyant: — Well ours is operationally different than Partnerships BC. We do not charge for the services which we provide.

Mr. Wotherspoon: — Right. So that speaks to specifically that concern then potentially about the bias of the revenue-generating opportunities. Now I guess in some ways, certainly I understand the need for technical capacity and some experience at this. But do you have any concern about being a revenue-generating opportunity for Partnerships BC? Certainly when they outline their costs here, that's their outlining their I guess a revenue source for their operation, and it's been highlighted by internal, an internal audit of the ministry of BC that there's some concerns around revenue generation mandate of Partnerships BC. So there's certainly big dollars that are, of public dollars, over \$5 million I believe you identified this year, and certainly rates that aren't insignificant that are being billed by Partnerships BC.

Hon. Mr. Wyant: — We continue to of course exercise oversight. We get excellent services by Partnerships British Columbia in terms of procurement. And as I'd mentioned

earlier, certainly as we continue to build expertise within SaskBuilds, that requirement to use Partnerships British Columbia in our procurements will diminish. But certainly we get excellent services by British Columbia. Those numbers are all calculated into our value-for-money calculations. But as I mentioned before, until such time as we've built the requisite capacity, we're going to continue to use Partnerships British Columbia in our procurement, although on a diminishing basis as we move forward.

Mr. Wotherspoon: — Okay. Well it's just it's a concern when you see noted by an internal audit in the Ministry of Finance a concern around a potential bias, bias and confusion of mandate when they highlight within their own entity some potential bias as it relates to revenue-generating opportunities. And I guess, you know, the province of Saskatchewan, the taxpayer of Saskatchewan in some ways is certainly a revenue-generating opportunity for Partnerships BC.

So this is an internal document or audit of the Ministry of Finance of British Columbia ensuring that they're managing resources in a prudent way, and it highlights this risk. So I'm just wondering if you have anything to confirm value in your contracts with Partnerships BC.

You're certainly speaking to a service that you're appreciating, and I wouldn't, you know, I wouldn't question that. I'm sure they're pleased to work with us. I certainly see the rates that they're charging and I see the, you know, the amount that's flowing to them, over \$5 million. I understand that British Columbia taxpayers and Partnerships BC may appreciate that. I'm just wanting to make sure that you, on behalf of Saskatchewan taxpayers, have done some analysis to make sure that the risk identified by the minister or the Ministry of Finance hasn't subjected Saskatchewan taxpayers to rates or costs that are not appropriate.

Mr. Pandya: — Mr. Chair, maybe I could begin an answer to the question. You know, I would offer that on the part of SaskBuilds Corporation in its interaction with our colleagues in Partnerships BC, that we would define the relationship as excellent and the advice as in fact world class. In fact in many situations we have received advice from our public sector partner in terms of how best to structure our deals to maximize effectiveness and to deliver value for Saskatchewan taxpayers. So I can unequivocally tell you that, based on the experience of SaskBuilds Corporation staff working with our colleagues in Partnerships BC, that that has been a valuable and worthwhile investment.

You know, I would note a couple of things. One is that the Crown review of Partnerships BC is a public document, and other than noting that there might be a conflict because Partnerships BC charges ministries or other agencies in British Columbia a fee to do the work that they're . . . you know, to improve process, that they ought not to also be selecting those projects. Of course the difference in Saskatchewan is the Government of Saskatchewan selected the projects that we are currently involved in. Partnerships BC was brought in to help support us in terms of ensuring that we had in place adequate capacity to manage the risks as identified by Saskatchewan's auditor as part of the volume 2 report from last year in terms of how best to manage public-private partnership risks.

So I guess in conclusion I would note that in answer to the question, you know, we believe that we have received excellent value from bringing on a public sector agency to support another public sector agency in standing up into what is a new area of procurement.

Mr. Wotherspoon: — It's worthy to note that I think that in BC itself, where this is set up for the taxpayers of BC or the public at large of BC, that there's questions and concern around that mandate and a potential bias and a focus on revenue-generating opportunities, and that's within British Columbia proper.

Now Partnerships BC certainly isn't mandated to serve Saskatchewan people. That's not their mandate. This isn't a gift from the taxpayers of British Columbia. Do you have an understanding as to the actual cost of the services you're being provided by Partnerships BC and the additional costs that you're paying them to provide these services?

Hon. Mr. Wyant: — Could you repeat the question for us?

Mr. Wotherspoon: — So Partnerships BC, they're operating in these contracts as a revenue-generating opportunity. They're not doing so as a gift to Saskatchewan. Do you have an understanding of what their actual costs are to provide the services to Saskatchewan that we're receiving and then, I guess, what the additional amount is? We're paying over \$5 million to Partnerships BC. Do you know what their actual costs are to deliver the services that we've contracted them for?

Hon. Mr. Wyant: — If the direct question is what profit are they making, I can't answer that question. I can tell you that, with respect to the bypass project, we've got different P3 advisers charging similar rates, so to the extent that we think we're getting good value for the service that we're contracting for, we believe that's the case. We're getting excellent service from Partnerships BC. And again I'll repeat what I had said before. As we become more experienced in P3 procurements, we will require their assistance less and less. And we've already seen that across our procurements.

Mr. Wotherspoon: — It just seems that there's a noted risk for Saskatchewan taxpayers in that report and potentially, you know, inflated costs that we're paying. I recognize technical capacity's required and you have to decide, are you going to contract that, are you going to retain it? Are there people here in the province? But there's certainly costs. And there's a noted risk, it's interesting to note that it's, you know, it's not noted by the auditor of Saskatchewan, who would probably also have interest in this aspect, but an internal audit by the Ministry of Finance that's focusing in on value for British Columbia residents.

Hon. Mr. Wyant: — Well you know, I'm not really quite sure that's the case because what the report identified was an inherent conflict with Partnerships British Columbia providing advice to government in terms of P3 procurement and at the same time charging a fee.

Partnerships British Columbia is not providing any advice of the Government of Saskatchewan or SaskBuilds with respect to which projects. We simply retained them to provide the

expertise that we need to move these projects forward in a fair and transparent way. So I don't think you can compare one with the other. The fact that they charge for their services is no different than any other P3 adviser that we may retain on any other project, or any other adviser. So you know, I don't think the comparison is particularly fair.

Mr. Wotherspoon: — No, I think it's an important aspect. What they're suggesting is that because they're aiming to be a self-sustaining organization, that they have a focus as well on revenues and that there may be bias then in their advice to the province of British Columbia in certain aspects. You're right, they're not advising you, but you are a revenue-generating opportunity for Partnerships British Columbia, something that certainly has been identified as a risk there. And you're quite right that the costs are big when retaining these P3 advisers. We're aware of that, and we've certainly noted the millions of dollars that have flowed already and that have been committed to all sorts of P3 advisers through the many P3 plans of government.

I'll just quote one more piece though that I think is important just in understanding some of the question around . . . just to make sure we understand some of the concerns noted by BC itself in its Ministry of Finance:

Partnerships BC is mandated to be both an adviser and service provider to government and to also be a self-sustaining organization. These multiple roles have created the perception that PBC's advice to government could be biased towards solutions that create opportunities for PBC to earn revenue.

So I think if there's potential bias in their advice within BC, dealing with sort of the one taxpayer that's there. Certainly we as a different group of taxpayers here in Saskatchewan may certainly want to note the concern anyways that's been noted by the Ministry of Finance, recognizing that we are in this case a revenue-generating opportunity for an organization that's been identified here that has a mandate to be self sustaining. So these are dollars that flow back there.

I would be interested in moving along just a little bit here as well, and also noted in that report is a quote here that:

Some stakeholders also feel that government seems to favour the practice of bundling several smaller projects into a single . . . contract, which makes it very difficult for small and medium sized . . . contractors to bid on these . . . [contracts].

So that's noted by the Ministry of Finance in British Columbia as it relates to Partnerships BC in bundling. Certainly we've heard many of those concerns across Saskatchewan as it relates to the contractors and builders of this province. I'm sure the minister's heard that as well.

I'm wondering what sort of mechanisms the minister is putting in place to address this concern. I'd just be interested in hearing that at this point in time.

Hon. Mr. Wyant: — Well as I mentioned earlier in committee, one of the challenges we have on the education side is the

critical growth need that we have for schools. It's important that we have these projects delivered on time and on budget. I can tell you that through our business-to-business forums that are held, we're very optimistic that there will be a significant local component to the construction of the schools. We know that in Alberta, for instance, 70 per cent of the contracts were let to local businesses, so we expect to have a significant local contribution to these particular projects.

The fact that we've chosen to bundle them is simply a reflection of the fact that we need these schools built. We've got a critical infrastructure problem when it comes to schools in growing communities, so that's really, I mean that's the reason that we're going down this road. We need them built. We need them built on time and we need them built on budget so that they can open up in time for students. So I think that's the answer to your question.

[17:00]

Mr. Wotherspoon: — But really that's not a reason at all to bundle them themselves. Certainly if you sit with the construction industry and the contractors of Saskatchewan, the builders of Saskatchewan, they certainly relay the delays that occur in building through the protracted process of P3s. Certainly we've had the discussion before at this committee: there's nothing inherent in a P3 that's going to deliver it on time and on budget. There's a refinement to public-sector procurement that could be brought, if one chose, to have aspects of the procurement process that's specific to P3s, can also apply to traditional procurement. Fixed price contracts, specificity and design on the front end, and clear timelines and penalties built in — these are all possibilities for public-sector procurement in general.

Hon. Mr. Wyant: — Well one of the challenges of course that we have, and I've already mentioned it, is to ensure that we meet this critical infrastructure challenge that we have. These projects — and I'll take a bit of exception to one of the comments you made — the risk transfer will ensure I think that these projects will be delivered on time and in a timely way, and delivered on budget. So from our perspective, in order to get that done, the risk transfer is going to ensure from a contractual perspective that the schools are delivered on time, which is important. And I think that that's one of the key elements that you missed in your question, in your understanding of the issue.

Mr. Wotherspoon: — Speak of the, speak of the risk transfer that you're speaking of, that you believe would allow these to be built on time or at the time that's agreed to with a builder, that can't be through a refined public sector procurement process.

Hon. Mr. Wyant: — I think one of the key things that I want to make sure that the committee understands is that, as we go through this process, we plan, we expect that there will be value for money delivered to the taxpayer. So not only on time and on budget, P3 procurement drives quality. It drives innovation, certainly life cycle, the fact that through a P3 procurement we will ensure that over the life cycle of the building we're going to get a better project.

But I think in terms of the value for money, that delivers value to the taxpayer and it also delivers a long-term warranty on the asset. So as opposed to having in construction the school, which has a certain warranty period of a few years, that this project will be, these schools will have a long-term warranty. And when the contract's at an end, through the terms of the contractual arrangement, schools will be delivered, or when the project ends, the schools will be in very good shape. And as you well know, certainly ongoing challenges with deferred maintenance will be avoided with this type of a project.

Mr. Wotherspoon: — I mean, I think the assumptions around value, you have to be really careful tossing that around. Certainly the experience of other jurisdictions, that just hasn't been realized. And I know there's been lots of committees in other jurisdictions from everywhere from the United Kingdom to provinces across Canada where there's been the very same sort of cases that have been made, and the reality is it just hasn't materialized in so many cases.

The idea that these are going to be maintained better, well to be honest, I think what people deserve is a responsible government to dedicate dollars through appropriate funding in a dedicated fashion to take care of a project. And certainly we don't need to pay more through an arrangement with a private sector provider to ensure that to happen. And we don't have to distrust our own government so much that we have to bind those terms with a P3 contract on the front end.

And anything as far as warranty and all these other aspects, those are all paid for by the taxpayer. Those are all built in as costs and paid for. It's no different than the question you get when you pick up the new washer around extended warranty. And that's a decision that one needs to make at that point in time as to whether . . . what the value and how much more you're willing to pay for that assurance.

But I know in a lot of P3s too when they've gone quite bad and when the contracts haven't been strong and where private partners have . . . when their fiscal position has changed, it's always the public that's left holding the bag because it's ultimately the public that requires the entity for which we're contracting this consortia or this private sector group to provide. So I'd just would really be cautious around that front.

I'm mindful of the time on the clock as well. And I did reference the concerns around shutting out the local construction industry through the choice to bundle these P3s and the impact of shutting out those partners. Certainly it's disappointing that I don't believe there's been economic analysis on that front to understand the impact of shutting out a large part, most Saskatchewan companies from large parts of those procurement processes, but it takes us to the important discussion of procurement, something that we've had a discussion for some time. And there was the action plan that was updated by your government recently.

I know that certainly many, many, many businesses across Saskatchewan are looking for change to ensure a fairness in government procurement. What I've heard, you know, certainly we've been a part of this discussion for some time. We've met with many of those businesses, brought forward their concerns. I know that government has finally responded and gone out and

met with some businesses and done some work on this front.

What they're telling me is that the action plan, parts of it look good. But the key to this to make it meaningful, to make it impactful, is its implementation, and they would suggest that that's the important work. So I guess when I'm looking at the action plan that's put forward and the specific measures that have been identified, I'd like to hear from the minister as to timelines and process to ensure implementation in a timely way.

Hon. Mr. Wyant: — Sure. Well we've had some significant, a significant number of consultations that happened. You'll know that Priority Saskatchewan was formed as a subset of SaskBuilds last June, and since that time there've been over 140 meetings with stakeholders, with industry, which has given birth to the 13 recommendations that were adopted in terms of the transformational plan for procurement.

And you're right: you know, these are words on paper and without further work being done by Priority Saskatchewan, it won't mean much. I can tell you that through the committees that have been established through Priority Saskatchewan, there's been a considerable amount of work that has been done already with respect to each of these, each of these components. That work will continue in earnest because we made the commitment that we're going to implement as many of these as quickly as we can.

So while we're committed to implementing all 13 of them, some of them will take a little bit longer than others. But what we have said is that our intent is over the next short period of time, some of these will take a shorter period of time than others. And we've committed to industry, when I made the presentation in Saskatoon, that our intent is to continually report back our progress with regard to the implementation of these strategies. As I say, some of them are a little bit easier to implement than others. A multi-stage procurement for instance, will take a little bit more time. Developing a vendor performance evaluation will take some time because that's going to take some further consultation with industry, and vendor performance in any one particular segment of the economy may be different in terms of the evaluation criteria with another one. So there needs to be some significant consultation. That consultation is ongoing.

So my commitment that I made to the business community in Saskatoon, and the commitment that I have made a number of times: that we will continue to be very aggressive with regard to our ongoing discussions and our ongoing dialogue with industry to make sure we get these implemented as quickly as possible, not only within executive government but across the Crown sector.

Mr. Wotherspoon: — When you look at the specific measures that have been identified, could you identify to us timelines that you've committed to or that you'd like to see committed to by your government to ensure implementation?

Hon. Mr. Wyant: — We've committed to bring back an implementation plan with respect to the majority of these items within six months, as I've said. Some of them will be easier to work on than others. Vendor performance for instance, as I've mentioned, will be a little bit more difficult because we need to

have developed vendor performance criteria, as I mentioned before, and one particular industry will be different than vendor performance in another one.

We've also got some legislative changes that need to be made with regard to two pieces of legislation. That's going to require some work, and we're counting on the co-operation of the opposition with respect to those amendments. But as I've said, we've committed to bringing back an implementation plan within six months, and we're going to do our best to meet that guideline.

Mr. Wotherspoon: — An implementation plan. So there's an action plan and there'll be . . . I certainly don't dismiss some of the complexity to some of these items. But six months from now you'll have an implementation plan, and so that's still a plan at that point. And then you would . . . It's at that stage that you feel that there'd be timelines and specific actions laid out that would ensure implementation. Is that an appropriate understanding?

Hon. Mr. Wyant: — I'll apologize for perhaps a poor choice of words. While we're developing the implementation, it would be more appropriate to refer to it as an implementation strategy. We hope within the next six months to have implemented the majority of these actions plans, so that's our goal. As I say, vendor performance is going to take a little bit more time to work out.

As I've also mentioned in the House and to the media, it's not simply just a matter of developing an implementation strategy with respect to these in isolation. We have trade agreements that we need to be respectful of with the AIT [Agreement on Internal Trade] and with the New West Partnership, so we always have to be mindful of how this will all work. So it's not just simply a matter of sitting down with industry and saying well what, how is this going to roll out. We have to be always mindful of what our legal responsibilities are as well. And so bringing that all together in a short period of time is a very challenging thing, but we've committed to do it as quickly as we can. And as I say, six months in terms of implementation I think is reasonable, given the significant complexity of what we've undertaken to do.

Mr. Wotherspoon: — It's an important project. Implementation's really important to the bottom lines of many Saskatchewan companies. It's important to insure value for taxpayers and certainly to the livelihoods of many working Saskatchewan people. So we'll track that with interest and certainly be looking for updates.

There was a discussion about some of the dollars, the over \$5 million that we're paying Partnerships BC, that we're committed to. I guess you also suggested there's other companies and other partners that you're paying for the same sorts of services. Could you make sure that we have a clear understanding of the total amount that has been paid to Partnerships BC or will be committed to as an entirety? Is that 5 million or are there other dollars that have already flowed that aren't accounted there or others that are committed to? And then I'm interested in hearing about who else we're paying to provide similar-type work and what commitments and what dollars have flowed on that front.

[17:15]

Hon. Mr. Wyant: — There's a considerable amount of information which you've requested in your question. I think we can undertake to provide that information to you if you like. As I mentioned, there's a significant amount of information you've requested. So if that's acceptable to you, we'll certainly provide that information to you. I think we have the gist of your question.

Mr. Wotherspoon: — Yes, I appreciate that. So if you're breaking down then, so specific to Partnerships BC dollars that have flowed, the entire amount that we're committed to. You can add a couple specifics if you want as to what it's for, but understanding that commitment and what budget years those will flow from, and then other organizations or companies that you're also committing to for similar types of services.

Hon. Mr. Wyant: — With respect to that particular, with respect to all our procurement? All four of our procurements, is that what you're asking for?

Mr. Wotherspoon: — That's right.

Hon. Mr. Wyant: — Good.

Mr. Wotherspoon: — And I guess, just looking at the time that we have on the clock as well, I'd be interested in getting the same sort of information that was broken down by the member from Lakeview for the Swift Current long-term care project where you went through and broke down some of the numbers. If you could endeavour to provide back to us that information for each of the other projects: the nine joint-use elementary schools, the Regina bypass project, and the Saskatchewan Hospital North Battleford.

Certainly if you could review the kind of information that was provided through the questions to the member from Lakeview, but I think total spent to date, interest rates, different assumptions that are built into these contracts and these partnerships, today's value for each of these projects, but then also noting the discount rate and any assumptions that come with those projects and then breaking down, as the member from Lakeview did along with yourself, the specific amounts for each of the external project advisers along the way.

Hon. Mr. Wyant: — Certain of the information that you've requested, we will be unable to provide simply because we're in procurement on three of those projects. Where we can't provide it, we'll indicate that to you.

Mr. Wotherspoon: — What are you looking at on today's value on the nine joint-use elementary schools?

Hon. Mr. Wyant: — That's an active procurement, so we don't have that information.

Mr. Wotherspoon: — I know these are some of the aspects that cause a distrust of the public at large. I certainly am aware of commercial sensitivity in a procurement process. And the members opposite can guffaw if they care to, but they may want to look to other jurisdictions where there's been billions of dollars wasted where the due diligence wasn't done on the front

end. And we actually have good officials here today and a minister who is answering questions, so I appreciate that. So the more serious question around that is, how do you build trust with the public at large in your actions when all the decisions that are made are made at a time when you're not able to share that information?

You know, we had suggested in the past a place for an independent auditor of sorts to weigh in and evaluate and share to the public a level of confidence or concern with the information that a government was making its decisions on on these fronts before ink dried on paper and the public was committed to those costs. Have you looked at any structure that's not . . . I know that you have some different structures within SaskBuilds itself that talk about value for money, but have you looked at any truly external and independent mechanism that could be trusted by the public to evaluate your numbers?

Hon. Mr. Wyant: — Well we consider this to be, our P3 procurement to be a very transparent process. First of all, we do table a fairness opinion with regard to the procurement at financial close. We will also table a fairness opinion, a value-for-money report, as well as the contract document, you know, once we get through the . . . once the preferred proponent is selected. And we will be doing that with respect to the Swift Current long-term care facility very shortly. From a transparency perspective, I believe that this is a much more transparent process than a traditional build where you wouldn't get fairness opinions and you wouldn't get a value-for-money calculation and you wouldn't even necessarily see the contract document. So I think first of all I'd like to say that.

Secondly, I think it's very important to appreciate the fact that the more planning that you do upfront, the greater chance you're going to have of a successful project, you know, at the end. If you embark down the road of building a particular capital project and you haven't done your planning, you have absolutely no control over what the costs are going to be at the end. And you only have to, you know, look at a home renovation. If you don't plan properly and you don't get the right advice and you don't get the right expertise on the front end, you're going to pay a lot of money at the end of it. I think from a planning perspective, from a risk analysis, this process is very good and, as I say, it's very transparent.

As you also know, the auditor's provided some guidance with respect to best practices. They're currently in the process of completing an audit. And we'll be anxious to receive the results of that work so that we can, in the event that there's any comments that she makes, fine-tune our process to ensure that we are providing not only the best process that we can from a procurement perspective but also ensuring that we are delivering value for money to the taxpayers.

I think we can give those assurances. There are a number of external consultants that are accommodated in this process which I think should give comfort, and I hope it does. It certainly gives comfort to me that the process that we're embarking on is a fair and transparent one that provides the value to the taxpayers which I know that taxpayers expect from their government.

The Chair: — Mr. Wotherspoon, one last question.

Mr. Wotherspoon: — Okay. Maybe just as a bit of closing statement before thanking the minister and the officials here as well, certainly our aim is to ensure best value for taxpayers and it should be, it should be all of our goals. I don't think many would feel that the P3s are more transparent than what can be provided through public sector procurement.

And when I look at public sector procurement in a more traditional lens, that doesn't mean it can't be refined in a significant way. And I think there's something to, just a note of caution as well, in some of the sales pitch of the P3s, is that as far as the specificity on the front end, that can all be done with refining public sector, more traditional methods of public sector procurement where you're clear and specified and have terms understood and spend some more front end work to make sure that's clear before you go to those private partners or those builders of Saskatchewan.

There's nothing to say that you can't refine or choose to use fixed-price contracts if you want. There's some evaluation. There's some trade-offs in doing so that you would want to consider. There's nothing to suggest you can't have specific dates, being clear with penalty structures that are built in, that place some risk and onus onto the builder of that facility.

So I guess I just leave this as a note that much of which gets touted as benefits of P3s themselves are not exclusive to P3s. In fact there's also a whole host of risks that we've well identified with P3s — the higher cost, shutting out the local construction industry, concerns around contract and control of that facility, risks that really have borne themselves out in other jurisdictions.

But I know we're beyond, with a gracious Chair, we're slightly beyond our time here today. I do thank the minister for his time here today and officials for their work and their answers and as well to their commitment to get back with some of the information that's been requested. Thank you very much.

Hon. Mr. Wyant: — Perhaps, Mr. Chair, and I know we're past our time, I'd just like to respond briefly to what the member has said.

You know, my mother used to say, there's more than one way to skin a cat. I always asked her, I'm unsure why you wanted to skin a cat, but if you were so inclined there's more than one way to do it. And I think it's appropriate for government to explore options and alternate ways of doing things. And so if P3 procurement provides value to taxpayers ... And as I mentioned before in committee, this is not a panacea for capital construction. We are certainly committed to ongoing traditional procurements. But I think where it makes sense, where it delivers value to taxpayers, I think it's incumbent on government to pursue that model.

And so while we can argue about the merits of it, I think that once the value-for-money calculations are done and we can show value to taxpayers of Saskatchewan that we are delivering value, that we are delivering on the significant capital infrastructure that Saskatchewan needs as a result of the growth in our economy, I think that's an intelligent and responsible

thing to do.

With that, Mr. Chair, I just wanted to say thank you very much for the questions. It's always enlightening to be in committee. I thank the members of the committee for their attendance; you, Mr. Chair; Hansard. And I especially wanted to thank all my officials who are here today who helped with their presentations. So thank you very much.

The Chair: — Thank you, Mr. Minister. I'd like to echo those sentiments as well. Thanks to the witnesses and for your forthright answers this afternoon. It is 5:26. As mentioned we went a few minutes over. Right now I'd like to ask a member for a motion of adjournment. Mr. Kirsch has moved. Are all agreed?

Some Hon. Members: — Agreed.

The Chair: — That's good. That's carried. This committee now stands adjourned to the call of the Chair.

[The committee adjourned at 17:27.]