

WHAT ARE P3S? SOME DEFINITIONS

Triple P Canada:

Public – Private Partnerships (P3s) are a long-term performance-based approach to procuring public infrastructure where the private sector assumes a major share of the risks in terms of financing and construction and ensuring effective performance of the infrastructure, from design and planning, to long-term maintenance.

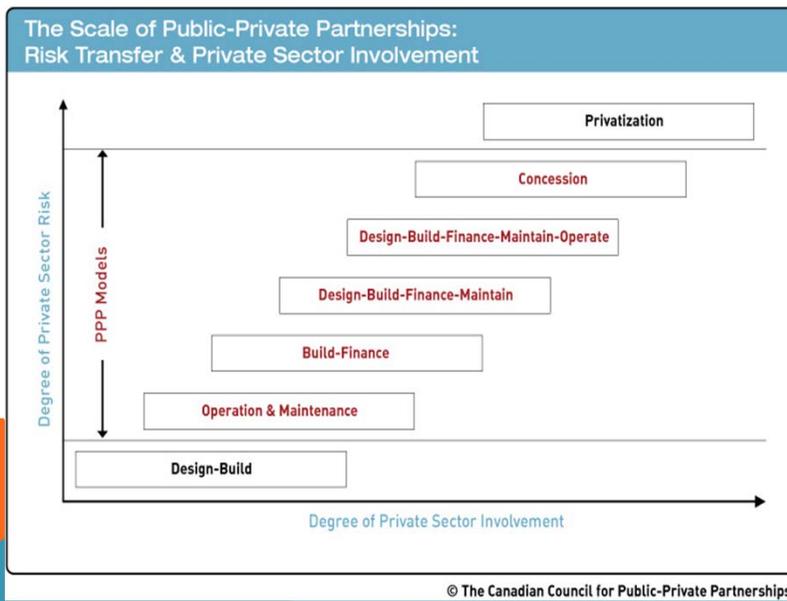


WHAT ARE P3S? SOME DEFINITIONS

Canadian Council for Public-Private Partnerships:

A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.

WHAT ARE P3S?



WHAT ARE P3S?

	Conventional Procurement	P3 Procurement
Process	Separate phases (Design, Finance, Build, Operate) procured separately in a "design-bid-build" model through a series of contracts at each juncture of the project.	All phases (two or more) are integrated to carry the project through from design to build to fixturing to operation – and several projects can be "bundled" in a comprehensive series of agreements.
Contracts	Short-term agreements for tendering specific phases of design, construction, FF&E (fixturing) and operation. Conventional builds utilize stipulated price contracts or construction management contracts with contracts for sub-trades.	Longer-term contracts covering the useful life of the asset, extending to 20 or 30 years, covering complete services and assuming risk. Include capital refresh sinking fund for ongoing maintenance.
Financing	Funded through public debt borrowing at government rates through the issuing of bonds. Limited to regular payments to contractors based upon work completed to date.	A substantial share of project cost is financed through project-specific equity and debt. Equity provided by consortium partners usually makes up less than 20 per cent of the project financing.
Contract Specifications	(Prescriptive Specifications) Public agency specifies the exact inputs required for the facility, but specific outputs or performance standards may not be spelled out in the contract.	(Performance Specifications) Deliverables are specified in terms of outputs, entrusting oversight to public partner. Specified outputs include functional design requirements, and operational standards.
Payment Schedule	Monthly payments are normally made to contractors based upon percentage of project completed. Up to 90 per cent of cost may be paid in monthly installments. Final payment paid upon delivery of project, after the builders' lien holdback.	Private contractor expected to bear all the capital costs and paid only for defined assets or services upon project completion – in a performance-based contract.
Cost Controls	Award contracts to lowest bidders and highly dependent upon effectiveness of public oversight over costly design errors and change orders.	Close collaboration between design-build team at all stages minimizes costly design errors and change orders. Buildings designed more effectively by team to achieve cost efficiencies. Risk transferred to contractors better able to handle risk.

Source: Adapted from Conference Board of Canada, *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments* (Ottawa: Conference Board of Canada, January 2010), Table 1, p. 3.

WHAT ARE P3S? COMMONLY CITED "PROS"

- Construction Cost Savings
- Operational Savings
- Faster Implementation
- Preserved or Improved Levels of Service
- Risk Sharing
- Financing Options
- Avoidance of Capital Debt
- Enhanced Public Management
- Greater Performance Measurement
- Increased Public Sector Revenues
- Enhanced Economic Development
- Innovative Solutions
- Realize the Value of Under-Utilized Assets
- Enhanced Facility Maintenance
- True Costing and True Value
- Arms-Length Independence

WHAT ARE P3S? COMMONLY CITED “CONS”

- P3 schools cost more than traditionally financed schools
- Legal and consultant fees are higher with P3s
- P3 schools put profits ahead of the needs of students and communities
- Maintenance is delayed and more costly with P3 schools
- Bundling construction projects is not cheaper, it reduces competition
- P3 construction projects are really not faster to build than under the traditional model

WHERE DO THINGS STAND IN MANITOBA?

News Release - Manitoba



May 2, 2017

MANITOBA ANNOUNCES PUBLIC PRIVATE PARTNERSHIP BUSINESS CASE REQUEST FOR PROPOSALS TO BUILD FOUR NEW SCHOOLS

P3 Projects Can Reduce Risk, Increase Value for Manitobans: Premier

The province of Manitoba, in collaboration with the Public Schools Finance Board (PSFB), today released a competitive request for proposals (RFP) to develop a Public Private Partnership (P3) business case and financial advisory services for constructing four new schools with a total value of over \$100 million, Premier Brian Pallister announced today as he was joined by Education and Training Minister Ian Wishart.

Background
Background Information
School Boards
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CURRENT STATUS

- Niverville and Winkler schools to be built under traditional “design-bid-build” model of capital development, under exclusive development and management of the PSFB.
- Four new projects announced as potential future P3s:
 - Seven Oaks- SD Precinct E
 - Winnipeg SD- Waterford Green
 - Brandon SD- Southeast Brandon
 - Pembina Trails SD- Waverly West



CURRENT STATUS

- BUT announcement was clear that a business case and analysis of financial advisory services would be required before moving to the possibilities for a P3 model.
- Announcement stated that project start goal set for 2019 construction season.

FUTURE STATUS

News Release - Manitoba



August 2, 2017

MANITOBA SELECTS KPMG LLP TO STUDY PUBLIC-PRIVATE PARTNERSHIP FRAMEWORK FOR NEW SCHOOLS

Milestone in Studying Feasibility of Public-Private Partnership Model in Manitoba: Premier

Premier Brian Pallister and Education and Training Minister Ian Wishart today announced a milestone in examining alternative approaches to meeting Manitoba's infrastructure needs, selecting KPMG LLP as the successful bidder to develop a Public Private Partnership (P3) business case for the Manitoba Schools Project and advance the province's expertise for potential future P3 projects.

WE NEED TO WAIT AND SEE

- At present, it really is too soon to tell what direction the RFP will take.
- There are several models of P3 that exist and with the added considerations of financial analysis requirements, value for money lenses, and the Province's directives to study the overall "suitability" of a P3 model, what might emerge and if a positive recommendation will emerge, are yet to be seen.
- RFP was only awarded to KPMG on August 2. According to RFP, expectations are that the business case will be forthcoming sometime through to end of 2017.

WE NEED TO WAIT AND SEE

- The announcement made on May 2 contains two statements as follows:
 - “...these schools will be operated by their respective school boards and will deliver educational services just like all other schools within the boards’ jurisdiction”.
 - “the private sector assumes a major share of the risks in terms of financing and construction and ensuring effective performance of the infrastructure, from design and planning, to long-term maintenance. However, the public sector retains ownership of the infrastructure, operates it and remains accountable for the services provided to Manitobans.”

WHAT HAS BEEN THE EXPERIENCE IN OTHER JURISDICTIONS TO DATE?



The screenshot shows a news website with the following content:

- Top Navigation:** TV, RADIO, NEWS, SPORTS, MUSIC, LIFE, ARTS, CANADA 2017, LOCAL, MORE. Includes 'WATCH', 'LISTEN', and 'LOG IN' options.
- Section Header:** CBC NEWS | Saskatchewan
- Primary Headline:** Regina P3 school rules limit classroom decorating, prohibit opening of windows for 1 year. Subtext: Rules outlined in staff guide obtained by NDP. Date: June 18, 2014 11:55 am. Updated: June 18, 2014 7:53 pm.
- Secondary Headline:** Alberta government scraps P3 funding model for new schools. By Slav Kornik and Emily Mertz. Global News.
- Other News Snippets:**
 - N.S. government inks \$50-million cheque to developers to buy 10 P3 schools.
 - CUPE 'raising red flags' about P3 school model.
- Logos:** NATIONAL POST, The Brandon Sun, MANITOBA School Boards ASSOCIATION.

THERE IS A NEED TO SEPARATE FACT FROM FICTION

NOVA SCOTIA:



ATLANTIC INSTITUTE FOR MARKET STUDIES (AIMS)

- From the Nova Scotia experience, “while the whole P3 experiment was, as commonly agreed, a ‘cautionary tale’, the AIMS report demonstrates the hollowness of unproven claims that it was all a ‘bad deal’ for the province, students, teachers, and taxpayers...”

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NOVA SCOTIA



- Research by AIMS supports the fact that “the only thorough financial analysis of the P3 schools, conducted in 1999-2000 for the N.S. Finance Department by KPMG, could not determine if taxpayers benefitted, given the absence of public procurement comparators. Fresh financial data... based upon the 20 year life of nine Nova learning schools leased to the province, shows that the public may well have come out ahead by as much as \$14-million”.

NOVA SCOTIA



- AIMS found on the whole that there was an “ultimate success and positive impact of the thirty-nine P3 schools for students, parents, school boards and local taxpayers...”
- “exciting possibilities for ‘reinventing government’ unlocked by the P3 ‘big bang’ in Nova Scotia.”

NOVA SCOTIA



- “spawned many positive developments”... including multi-year school capital finance planning, performance-based contracts, integrated design-build teams, designated capital maintenance and technology refresh funds, a broader community engagement process and the two way transfer of expertise in school capital planning, construction and management.”

NOVA SCOTIA



- **P3 models for schools solved two initial problems:**
 - Allowed a debt-ridden provincial government faced with high borrowing costs to clear the backlog of school projects and close the education infrastructure gap.
 - Allowed this provincial government to bring far more schools into operation, better serving many more communities.

NOVA SCOTIA



- However... AIMS found that:
 - Nova Scotia moved too far, too fast. Public management could not keep up with the pace of construction.
 - Building the first six P3 schools came with political and logistical problems: gold plating, constituency driven site selection, low standards, costly change orders, expensive site selection, weak government management, and poorly negotiated contract terms.

NOVA SCOTIA



- Two NS Auditor General reports (2010, 2016) focused heavily on the role played by public sector management in lack of overall capacity, lack of expertise when switching to performance-based contracts, and responsiveness to school and community partners.

NOVA SCOTIA



- I would observe that under P3 models in NS, private sector could negotiate such aspects as collection of school cafeteria revenues, and limitation of school use of facilities after hours / collection of revenues from community use of schools.

ALBERTA



- P3 model guided implementation of “The Alberta Schools Alternative Procurement” (or ASAP) strategy.
- Starting in 2007, 18 new schools were constructed, with 40 in total under phase 1.

ALBERTA



- 2010 AG Report found that the “P3 approach provided value for money” while noting that “the contract awarding process could have been more transparent”. AG also highlighted overstatement of savings on the part of the government.
- Public cited quality concerns with new builds, especially in terms of leaking roofs, but a 2013 Province of AB Value for Money Audit asserted that the P3 model continued to be the right choice for Alberta.

ALBERTA



- Late in 2013, concerns were raised when only one firm bid on construction of 19 proposed school projects through to 2016.
- By mid-June 2014, the P3 model was abandoned by Alberta due to perceptions that the traditional procurement process could net savings of \$14M.

ALBERTA



- During its Phase 1 start up (40 schools), the ASAP initiative was recognized nationally by many reputable organizations as an innovative and successful approach for school infrastructure.
- Lack of competition was the ultimate nail in the coffin for ASAP. With only one bid received under the new P3 approach, versus the cost to build the same greenfield footprint under the traditional, provincially run procurement process, the AB Government chose to return to the latter approach for ASAP Phase 2.

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ALBERTA



- As with NS, a provincial government faced with growing debts, high borrowing costs and perhaps greater consequences of the economic downturn than most other Canadian jurisdictions, had little options for responding to community needs for new schools apart from seeking private investment.

SASKATCHEWAN



- SaskBuilds, a cross-departmental P3 agency responsible for all public infrastructure, including schools, was established in 2013.
- In July 2014, SK announced construction of nine joint-use schools (public and Catholic school boards) through SaskBuilds, in four communities.
- SK's public school environment is highly politically charged at present time and because of this, MSBA will abstain from providing comment or analysis of the overall situation in that province vis-à-vis P3 school infrastructure, in keeping with our commitment to non-partisan and objective analysis and advocacy.
- However, it can be observed that to date, news stories concerning the operating guidelines for the P3 schools may require greater need for understanding and context in order to ensure that the debate remains fairly and objectively informed.
 - “ban” on opening windows
 - “prohibition” on decorating classrooms
 - required “permission” from private partner
 - treatment of facility as “leased space”

CONCLUDING OBSERVATIONS

- There are many different P3 models that could be selected by MB, according to context, need and circumstance.
- A business case and financial analysis, including a value for money lens, is currently being assembled by KPMG. This contract was awarded only recently, as of August 2. We are not in a position to assume the findings or outcomes of this process, until a final report is tabled and released for public consumption.
- In the meantime, we can learn from our colleagues from coast to coast and draw from lessons learned under their jurisdiction.
- NS was the first Canadian jurisdiction to meaningfully employ P3 models for school capital projects. As with any such endeavour, one would normally encounter significant challenges as the model becomes perfected over time. In the end, NS' was a very mixed experience.
- AB's P3 experience was viewed as an award winning innovative approach to school infrastructure and was suspended more due to lack of competition in their local construction market, rather than a reflection of other issues or concerns.
- SK's recent experience deserves more careful study: fact requires careful separation from fiction and close review of media reporting.
- Manitoba is one of the last jurisdictions to look at the potential for P3 models and so one would expect that the business case that will be received by the Province by the end of 2017 will draw upon the lessons learned from other provinces' experiences.
- MSBA will compile a summary of any business case that might be made available in future for public review and will send to all boards without inserting value laden, ideological, or subjective commentary.