

# Central Library: the Past and the Future



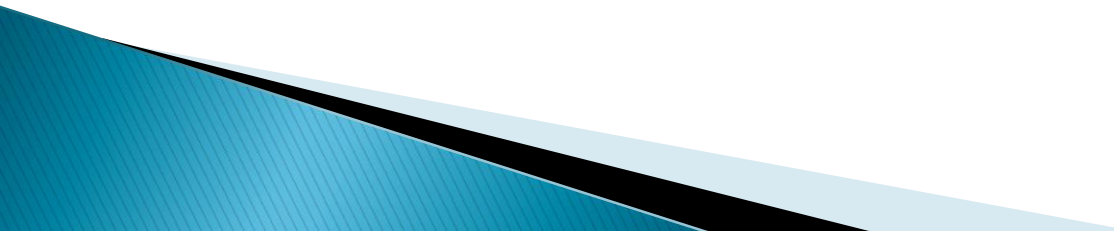
## Part 3: Public Private Partnerships

Friends of the Regina Public Library, March 13, 2012

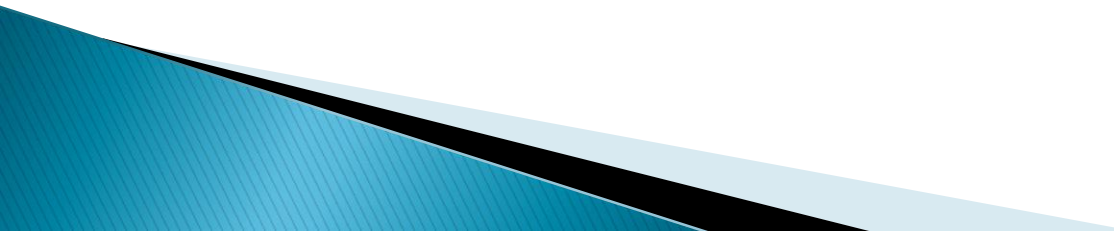
# What are Public Private Partnerships?

Cheryl Stadnichuk, Research Representative  
Canadian Union of Public Employees

# What are P3s?

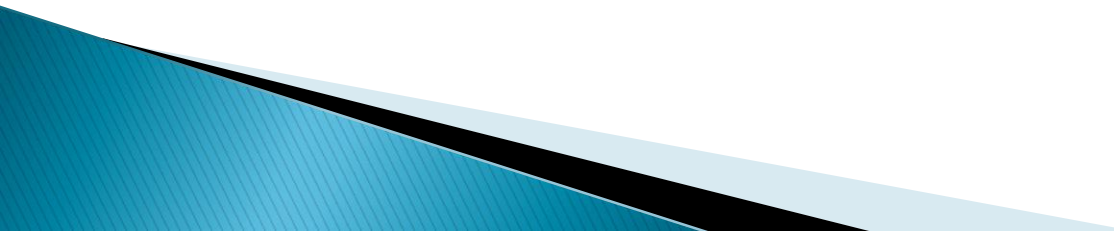
- ▶ New model for building, financing and operating public infrastructure
  - ▶ **Traditional model for infrastructure:**  
Design/build: government finances and operates; private sector designs and builds
  - ▶ Public infrastructure benefits the public, but also business
  - ▶ 2003 Stats Canada study: 1961–2000 for every \$1 government spent on infrastructure, 17 cent payoff to Canadian business
- 

# P3 Models

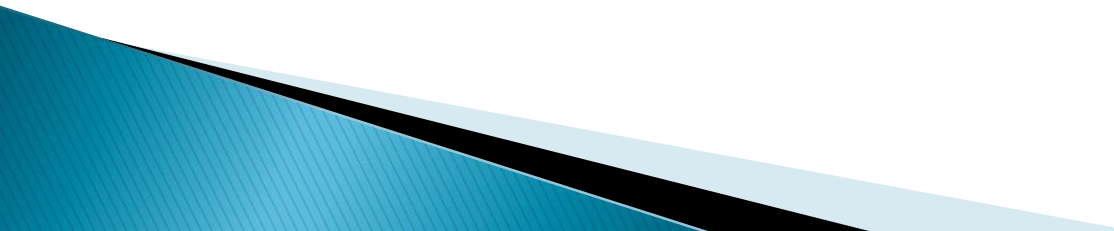
- ▶ Design–build–operate
  - ▶ Design–finance–build–lease
  - ▶ Design–build–finance–transfer–operate
  - ▶ Design–build–operate–transfer
  - ▶ Design–build–own–operate
  - ▶ Different models provide greater involvement of private sector to full privatization
- 

# Problems with P3s

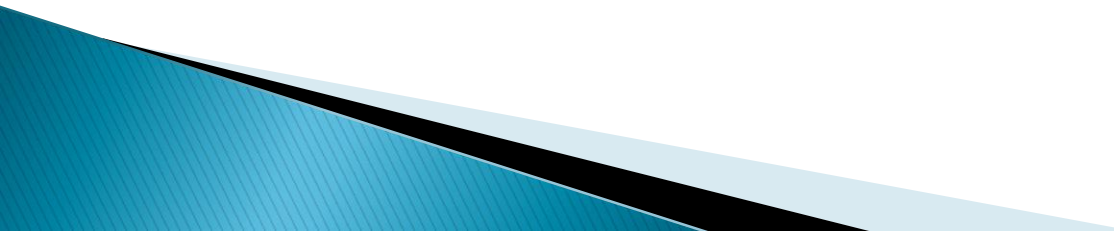
## **P3s cost more**

- ▶ Private borrowing more expensive than public borrowing
  - ▶ eg: January 2012 avg 5 year borrowing rate from big banks for private sector: 4.19%
  - ▶ January 2012 Saskatchewan government borrowing rate: 1.59%
- 

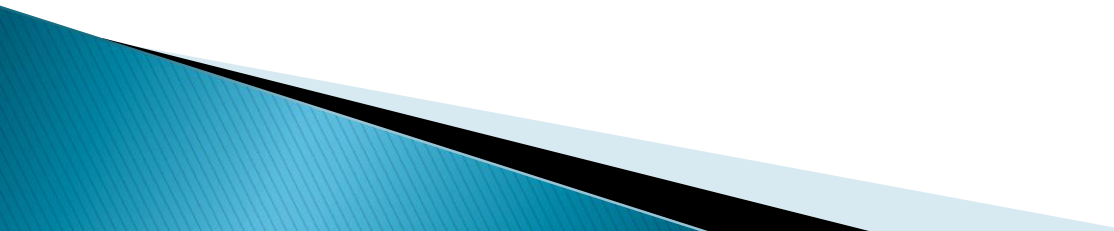
# P3s Cost More

- ▶ P3s do not reduce government debt – bond rating agencies see long term operating or capital leases as debt
  - ▶ P3s notorious for delays and cost over runs
  - ▶ There is no transfer of risk to the private sector: public sector pays if company defaults
  - ▶ “public sector comparators” used to justify P3s, but use questionable methodology to make private sector look better
- 

# P3s reduce accountability

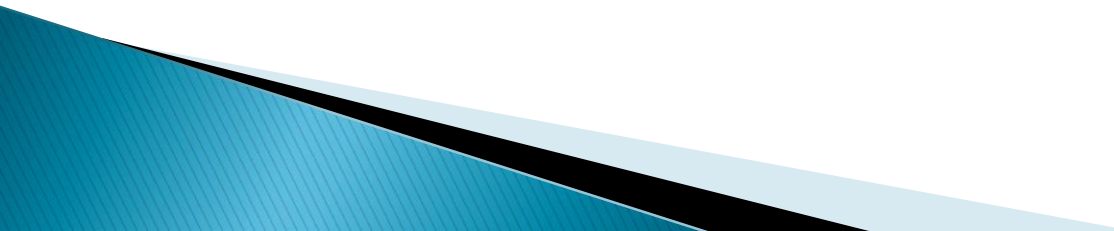
- ▶ Difficult to access private contracts or information on costs – exempt from FOIP because of “commercial confidentiality”
  - ▶ Reduced public control (depending on model). E.g., Nova Scotia P3 schools raised charges for community use of schools.
  - ▶ Provincial Auditors have criticized P3s for lack of transparency and public accountability
- 

# Who's pushing P3s?

- ▶ Early 1990s: UK government introduces Private Finance Initiatives (PFIs)
  - ▶ Mid-1990s: P3s considered by federal government, Nova Scotia, New Brunswick as a way to keep debt off books
  - ▶ 1993: Canadian Council for PPPs established to promote P3s
  - ▶ Late 1990s–2000: almost all provinces begin to experiment with P3s
  - ▶ 2008: Sask Party government creates P3 Secretariat. Disbands it 9 months later.
- 



# The P3 Canada Fund

- ▶ 2007: PPP Canada Inc. created as federal crown corporation
  - ▶ 2007: federal government rolled all infrastructure plans into one plan – Building Canada Infrastructure Plan (half the funds allocated for municipalities)
  - ▶ 2008: Building Canada Plan
  - ▶ Today: PPP Canada Fund only infrastructure funding available to municipalities, (except for the Gas Tax Fund)
- 

# PPP Canada Fund

- ▶ \$250 million left in budget for 2012/13 and 2013/14. Deadline for business plans in Round 3 is March 31, 2012.
- ▶ Round 4 is expected to be launched spring 2012
- ▶ “PPP Canada and others, including provincial P3 agencies have identified municipal infrastructure as the next frontier for Canadian P3s.” (*PPP Canada Annual Report*)

# Alternatives to P3s

- ▶ Some municipalities feel blackmailed into using P3s and are passing motions calling for a non-P3 infrastructure fund
  - ▶ FCM has set up committee to review infrastructure funding
  - ▶ Municipal Financing Corporation of Sask: lends to municipalities (provincial rate plus)
- 