

Audits of Two P3 Projects in the Sea-to-Sky Corridor Sea-to-Sky Highway Improvement Project

As at March 31, 2013

Released: [10 July 2012](#)

Self-assessment conducted by Ministry of Transportation (Lower Mainland District)

Comments:

“The administration of the Sea-to-Sky Concession Agreement is an ongoing and evolving process. The ministry is continually engaging with all parties to ensure the Province receives the maximum benefits from this agreement. After receiving the Auditor General’s report we went to work to implement its recommendations. Administrative deficiencies, such as missing documentation, are being rectified. The ministry has engaged with the Attorney General to assure the proper review process takes place when changes to the Concession Agreement or the Concessionaire are made. The implications of changes in tax legislation has been addressed and we have strengthened our procedures to deal with future events.

The original process to measure delays on the highway proved to be unworkable. The audit report raised this as a concern. The ministry had already been talking to the Concessionaire about changing the system and has now accelerated the process.

The ministry is working with the Concessionaire, stakeholders, and the communities along the highway to identify areas for economic development and to assist in the process. Significant developments are being proposed in Britannia, and on a much smaller scale, a gondola ride will be built south of Squamish to access the mountain top and a purpose built tourist attraction.

The communications plan is being revised to reflect the need of the ministry keep the public informed on the achievements of the Concession Agreement.”

RECOMMENDATION AND SUMMARY OF PROGRESS

SELF-ASSESSED STATUS

Recommendation 1: The Ministry of Transportation and Infrastructure review and approve all changes in the P3 ownership structure as allowed under the Sea-to-Sky Highway Concession Agreement for the remaining life of the project agreement.

Fully or substantially implemented

Actions taken, results and/or actions planned:

“The ministry currently has a process in place whereby any future ownership changes are reviewed by the ministry’s legal counsel before approval, and if necessary, negotiate any changes to the P3 ownership.”

Recommendation 2: The Ministry of Transportation and Infrastructure ensure all key project documents are identified and accessible for the full term of the Sea-to-Sky Highway Concession Agreement.

Fully or substantially implemented

Actions taken, results and/or actions planned:

“The ministry is working with the Concessionaire to ensure that the ministry has a complete set of “as built” record drawings and other construction completion sign-off documentation. These were the documents that had been identified as missing. This is expected to be completed by March 31, 2013.”

All information has been provided by the organization and has not been audited.

<p>Recommendation 3: The Ministry of Transportation and Infrastructure review the Sea-to-Sky Highway Concession Agreement (and all other existing P3 contracts) to assess the financial impacts of switching from the PST to the HST, and recover any overpayments made.</p>	<p>Partially implemented</p>
---	------------------------------

Actions taken, results and/or actions planned:

“Most of the annual payment to the Concessionaire is for capital costs that were incurred by the Concessionaire prior to HST implementation and therefore are not recoverable. A small proportion of the payment (15%) relates to operating costs. HST is applicable to only a portion of those ongoing operating costs. The agreement did not anticipate a change in tax law such as the HST. Consideration of the relatively small sums involved indicated that the cost–benefit of such a negotiation would be unlikely to result in a net gain to the Province. The ministry is undertaking further work, such as computer modelling and analysis of the impact of the change in tax law. This will include a plan to implement future changes in a more timely fashion. It is expected to be completed by July 31, 2013.”

<p>Recommendation 4: The Ministry of Transportation and Infrastructure measure and monitor the achievement of its main objectives for the Sea-to-Sky Highway Improvement Project.</p>	<p>Partially implemented</p>
--	------------------------------

Actions taken, results and/or actions planned:

“The main objectives for the project were identified as safety, reliability and capacity.

Safety – Ministry data shows that there have been significant reductions in accidents on the Sea to Sky highway since the main improvements were completed in 2009. PDO is defined as “property damage only”.

YEAR	FATALITIES	INJURIES	PDO	TOTAL
2004	5	86	128	219
2005	6	89	122	217
2006	2	97	132	231
2007	0	91	146	237
2008	2	63	91	156
2009	2	58	111	171
2010	1	64	83	148
2011	2	57	65	124

This is completed.

Reliability –The available data provided by the Concessionaire indicates significant reductions in road closures and reductions in the duration of road closures. The Concessionaire is currently providing a detailed weekly list of closures and a monthly summary report of all road closures. The reports identify closures due to maintenance, traffic incidents or natural occurrences. The original system relied on the statistical analysis of the number of cars passing through 10 checkpoints. Now, by using average speed, we are proposing to use the existing equipment to analyze the flow of traffic. This will identify stoppages to the Concessionaire, who will provide verifiable reasons for these stoppages. For any delays that are due to unauthorized lane closures by the maintenance contractor, a penalty will be assessed. These negotiations have not been finalized yet, but we anticipate closure by the middle of the year (June 30, 2013).

Capacity –The ministry will analyze and report on the capacity enhancement objective after a suitable length of time that takes into account short term economic fluctuations. The ministry has engaged a consultant and is defining the parameters and appropriate timeline for data collection. This is a long term study and analysis for the first five years after final completion of the project. Please also see the response for Recommendation 5 for additional information. The estimated completion is December 2016.”

All information has been provided by the organization and has not been audited.

<p>Recommendation 5: The Ministry of Transportation and Infrastructure report publicly on how well it is achieving its value for money and risk transfer objectives outlined in the Sea-to-Sky Highway Concession Agreement.</p>	<p>Partially implemented</p>
---	------------------------------

Actions taken, results and/or actions planned:

“The ministry will report on indicators that demonstrate how the safety, reliability, and capacity objectives of the project have been met. We will provide an annual comprehensive review and summary of achievements, challenges and changes. This will form the basis of periodic public updates. Statistically it is considerably safer than the old highway: fewer accidents, fewer deaths, less property damage and less injuries. The total number of accidents has gone down considerably, the number of fatal accidents have gone down and the amount of damage has decreased. This has been borne out by statistics from ICBC and is publically available. We are also comparing accident statistics to other highways in the province and the Sea to Sky Highway is as safe or safer than any of them. This has already been implemented.

The issue of reliability has been addressed in section 4. To expand it should be noted that other aspects of reliability such as quality of maintenance and frequency of rehabilitation are closely monitored. Completion date is June 30, 2013.

With respects to capacity, an economic development study is being planned, but the timing needs to reflect the need for economic development to actually have an impact on the highway’s capacity. This time has not yet come. Implementation date would be December 2016.”