

SPEAKING NOTES  
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***INTRODUCTION OF NEW CAPITAL ASSET MANAGEMENT FRAMEWORK AND PARTNERSHIPS***  
***BRITISH COLUMBIA***  
CONFERENCE ON PUBLIC-PRIVATE PARTNERSHIPS  
BUILDING BC'S FUTURE  
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Good afternoon.

I want to begin by offering my thanks to the organizers of today's conference.

It is through conferences such as this one, that the strengths of all sectors — both public and private — are brought together to form sound working relationships.

We are beginning a new era of innovation and creativity in delivering public infrastructure and services in British Columbia.

An era that will focus on service delivery, accountability, sound fiscal and risk management, value for money, competition and transparency.

Indeed, our government is paving the way for more efficient and effective approaches to the way we provide services and infrastructure in support of health care, education transportation and other priority programs.

This afternoon, I want to say again that we are eager to incorporate best practices in capital management from the private and public sectors to improve planning, delivery, and decision-making.

To that end, I am announcing the policy framework government has developed and the separate agency that will implement the framework.

Put simply, the framework creates the rules of the road, and the separate agency makes sure those roads get built.

I will also touch on how the policy framework, supported by the new agency, will work together to provide due diligence and protect the public interest through these partnerships.

We are looking at all viable options to address service and infrastructure needs in a measured, responsible way, including public-private partnerships.

These are important — and necessary — first steps toward making such partnerships a reality while ensuring that neither your resources nor those of the taxpayers are wasted on non-starters.

Our objectives are dear. We are committed to ensuring British Columbians have the high quality hospitals, schools, transportation and other infrastructure they deserve and expect.

**P3s as an innovative and economic solution**

Public-private partnerships represent both an avenue to encourage innovation and creative thought and a valuable tool in our government's plan to address the province's service and fiscal challenges.

Governments around the globe are welcoming the private sector's expertise in bringing more efficient, effective delivery of services, and we have learned from their endeavours.

In addition to introducing innovation into the building and operation of our public services, P3s also assist government in managing the risks associated with providing infrastructure.

We must look beyond our current horizon and explore opportunities to engage the private sector in providing public assets and services.

P3s will present an opportunity — not only to maintain our vital infrastructure, but also to build on it and stimulate further economic growth in the process.

But whatever delivery method we choose to build a particular project, we need to ensure it is properly evaluated so that the taxpayer receives the best value possible for their investment.

Such an evaluation requires a framework that sets new standards for the way the Province plans and manages capital assets.

On that note, I would like to announce that we are putting in place a new Capital Asset Management Framework.

### **Capital Asset Management Framework**

This framework will encourage all provincial agencies — be they ministries, health authorities, school districts or Crown corporations — to apply fresh solutions to infrastructure challenges.

As we are all aware, the way government used to finance and operate capital assets wasn't always the most efficient or effective method.

You may have heard about the fast ferry experiment.

Had the previous government taken the time to develop a tangible business case — or invited submissions from the private sector to meet its requirements — the idea of using high-speed catamarans would never have been pursued.

So there is tangible value in the principles we are setting out.

The framework is the benchmark for providing checks and balances to ensure accountability and effective management of risk through all phases of capital projects regardless of who finances, builds, owns or operates the asset.

Under the new framework, as a first step in the capital planning process, ministries and agencies will be expected to ask themselves the following questions:

Is there another way to meet our service delivery needs that could avoid new capital spending?

Is there a way to better manage or use existing assets that could reduce the need for additional expenditures?

And, is there a way to share the cost and risk of capital acquisition with, for example, a private-sector partner or another public sector agency?

These are all pertinent questions that guide government toward viable alternatives — alternatives that may or may not lead to a publicly funded venture.

However, to ensure taxpayers get the best value for money, agencies need to consider all options.

Our framework will encourage public and private agencies to be creative and look beyond old fashioned approaches to managing capital assets.

Instead of doing business as usual, they should explore a full range of innovative options for meeting service delivery needs.

There are four basic framework principles to ensure sound fiscal and risk management:

First, spending on capital assets must be managed within fiscal limits;

Second, the decision on a model must be supported by a rigorous business-case analysis;

Third, costs and risks related to legal, environmental, health or construction concerns, will be identified, analyzed and managed throughout the asset's life-cycle.

And finally, risks will be allocated to those parties best able to manage them at the least cost while serving our most important bottom line — the public interest.

In some instances, those parties may be in the public, private or non-profit sector — or a combination of the three.

Ultimately, the Capital Asset Management Framework was created to ensure taxpayers get maximum value for their tax dollars.

This is both in terms of maintaining modern, affordable infrastructure, and through the effective delivery of services.

Where a public-private partnership is appropriate, it can provide government with an efficient, effective and affordable alternative to publicly owned and operated infrastructure.

### **Partnerships British Columbia**

While the Capital Asset Management Framework opens the door to public-private partnerships, you may question how a business will actually access and retain contracts.

Today, I would like to announce a new government-sponsored commercial agency, developed specifically to serve as the single window for those involved in P3 projects.

We have appropriately named it Partnerships British Columbia.

In the decision to create this organization we have looked at the lessons of other jurisdictions; what has worked and what has not.

We asked ourselves how we could achieve successes and avoid mishaps?

What could we learn from others to make sure we hit the ground running and keep that momentum as we move ahead?

We studied how other jurisdictions — including the United Kingdom, Ireland and Australia — implemented successful P3s.

All suggest there is a benefit to having an organization with a strong mandate to promote, enable and help implement P3 projects.

A commercial agency that worked in the government's interest but was at arms-length from government.

With this information, the Ministry of Finance retained an independent consulting team to provide advice with regard to establishing an organization in BC to support P3s.

The team consulted with key public and private stakeholders including ministries, Crown corporations, private investors and others.

Stakeholders agreed there was a need for an organization that would function as government's centre for P3s and alternative service delivery.

An organization that has the knowledge and expertise to provide advice to government with regard to proposed P3s, deal structuring and related policy issues.

An organization that provides an entry point for the private sector to bring forward proposals and an avenue through which government consults the private sector on P3 issues.

We were advised to establish a company reporting to a government appointed Board of Directors as well as its shareholder, the Minister of Finance.

We didn't take this advice lightly. In fact, all the options presented were implemented in developing the new company.

Partnerships British Columbia will be a 'clean break' from past government capital initiatives.

It will be armed with expertise and advice on all facets of P3s.

Shortly, we will begin the process of recruiting a CEO and Board for the new organization.

They will be charged with building the right team, with the right skills to help us harness the innovation and opportunity that results from bringing together the public and private sector in a common purpose.

Partnerships British Columbia will be the team to make P3s a reality in BC.

In addition, Partnerships British Columbia will contribute to accountability, by monitoring the progress of capital projects and reporting to government over the life of P3s.

By giving BC's public sector agencies a concrete policy framework, and by supporting them in considering a wider spectrum of possible infrastructure solutions, we can ensure P3s are actively pursued where they represent the optimal solution.

We believe that this framework, along with the expertise and guidance of Partnerships British Columbia, will enable some of our newer private-sector partners to develop P3 expertise and develop an industry in BC with the tools and confidence to export their talent internationally.

### **Business as part of the solution**

We want businesses to contribute to providing innovative, efficient cost-effective service delivery and the restoration of sound fiscal management in BC.

We can no longer subscribe to the status quo that expects government to be the only vehicle to fulfil the capital needs of British Columbians.

Our government has promised to move away from the status quo and begin considering P3s and alternative service delivery as one of many options in building or operating hospitals, schools, highways or bridges.

In fact, any government that respects taxpayers and is committed to restoring sound fiscal management has a duty to consider P3s, regardless of their financial picture.

It's the responsible thing to do.

If we don't examine all the possible ways to meet those needs, we'll never know if we're getting the best value for money.

Furthermore, the increased competition inherent in P3s can foster greater creativity, greater innovation and broader options, which may improve efficiency and project economics.

We intend to approach infrastructure projects in a planned, thoughtful way — offering potential P3 partners a clear sense, early in the process, of what we're after.

### **Conclusion**

As I conclude, I want to emphasize how eager we are to continue to undertake both traditionally funded and P3 infrastructure projects where they make sense and are in the public interest.

The Capital Asset Management Framework is a key step toward ensuring all infrastructure projects make sense and only the best course of action is taken to build and deliver the necessary services.

This task will not always be easy.

The framework will be a living document, further developed and refined as government gains experience and improves its business practices

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I'm sure you have all heard about the Vancouver Convention Centre expansion and infrastructure to support the Olympic bid.

These are high-profile examples. But there will also be all kinds of other opportunities to participate in a diverse range of interesting projects.

I encourage you to seek out our web site and examine the detailed information we are posting on it as I speak.

We've put the resources where everyone can access them and get involved in this exciting new venture.

These could include transportation infrastructure, schools and other buildings.

The Capital Asset Management Framework and Partnerships British Columbia will help agencies come to the P3 table with creative, efficient, effective solutions.

Opportunities that allow the private sector to contribute their innovation and expertise to the building of a stronger, more vibrant BC.

We are excited about being your partners.

Now let's get to work.

Thank you.