



TRANSCRIPT OF THE OPEN CABINET MEETING

May 30, 2003

Province of British Columbia

EXECUTIVE COUNCIL

Premier and President of the Executive Council
Minister of State for Intergovernmental Relations
Deputy Premier and Minister of Education
Minister of Advanced Education
Minister of Agriculture, Food and Fisheries
Attorney General and Minister Responsible for Treaty
Negotiations
Minister of Children and Family Development
Minister of State for Early Childhood Development
Minister of Community, Aboriginal and Women's Services
Minister of State for Community Charter
Minister of State for Women's Equality
Minister of Competition, Science and Enterprise
Minister of State for Deregulation
Minister of Energy and Mines
Minister of Finance

Hon. Gordon Campbell
Hon. Greg Halsey-Brandt
Hon. Christy Clark
Hon. Shirley Bond
Hon. John van Dongen
Hon. Geoff Plant
Hon. Gordon Hogg
Hon. Linda Reid
Hon. George Abbott
Hon. Ted Nebbeling
Hon. Lynn Stephens
Hon. Rick Thorpe
Hon. Kevin Falcon
Hon. Richard Neufeld
Hon. Gary Collins

Minister of Forests
Minister of Health Planning
Minister of Health Services
Minister of State for Mental Health
Minister of State for Intermediate, Long Term and Home Care
Minister of Human Resources
Minister of Management Services
Minister of Provincial Revenue
Minister of Public Safety and Solicitor General
Minister of Skills Development and Labour
Minister of Sustainable Resource Management
Minister of Transportation
Minister of Water, Land and Air Protection

Hon. Michael de Jong
Hon. Sindi Hawkins
Hon. Colin Hansen
Hon. Gulzar S. Cheema
Hon. Katherine Whittred
Hon. Murray Coell
Hon. Sandy Santori
Hon. Bill Barisoff
Hon. Rich Coleman
Hon. Graham P. Bruce
Hon. Stan Hagen
Hon. Judith Reid
Hon. Joyce Murray

WEDNESDAY, MAY 30, 2003

The cabinet met at 9:01 a.m.

Opening Remarks

Hon. G. Campbell: Okay, we're going to start today.

The Legislature recessed yesterday. Seventy bills were introduced; 43 were passed. The remainder are going to be done in the fall session, as you know.

Lots of bills were passed that are going to have a big significance as we try to implement them over the next number of months: the forestry revitalization plan; the core review and restructuring of major Crowns like B.C. Hydro; strengthening of the B.C. Utilities Commission ? returned to Hydro under an independent regulator after the previous administration; the establishment of a new coastal ferry services contract to help revitalize ferry services in the province; strengthening and improving industry training and apprenticeships; enhancing student participation in school planning.

All of those things are now passed, and we've got work to do as we implement them, obviously. I want everyone to focus over the next little while on execution and making sure these policy changes are put in place well.

Two of the acts that we gave royal assent to last night require adjustments to responsibilities, as you know: first, Bill 40, the Utilities Commission Amendment Act, and Bill 58, the Insurance Corporation Amendment Act. I'm going to be transferring ? the OIC will be filed today ? B.C. Utilities Commission from Energy and Mines to the Attorney General. The Utilities Commission was given an expanded role yesterday to independently regulate the automobile insurance rates. That transfer also reflects the Utilities Commission's broader role in energy issues. It helps to consolidate in government the regulatory functions under the Attorney General's ministry, and I think it's the right place for the Utilities Commission to be under the new framework.

Also, the new Ferries commissioner, created under the Coastal Ferry Act, to independently regulate the coastal ferry service contract is going to be transferred from Transportation to the Attorney General. The Minister of Transportation will remain responsible for the contract itself that the government enters into with the ferry services. That move will reinforce the independence of the Ferries commissioner, who will be the regulator.

ICBC is being transferred from the Ministry of Finance to the Solicitor General. It made sense, following the core review, to put ICBC under the Solicitor General's duties in terms of traffic safety, enforcement, safer streets and in terms of coordinating the activities of ICBC with other agencies under the Solicitor General's ministry. We think that move will better integrate some of those services in the public's interest and particularly in the interest of public safety.

The Minister of Finance, of course, is going to remain responsible for the legislation that governs the general regulation of the insurance industry in the province.

We've begun the exercise of putting those things in place, and I think they're going to be... You know, as we go through those executions, we're going to have to pay attention to both what the goals were and what the objectives were to make sure that it's carried out properly.

[9:05]

Today we're going to cover off the accountability for Partnerships B.C. – the business plan. Gary will be leading that. Larry Blain is here with Suromitra Sanatani. George is going to talk to us about the first peoples language initiative. We have a decision on the oil and gas strategy that Dick's going to bring to us. There's a health update from Sindi, and Gordie's going to do some stuff – review the strategy for Woodlands – before the end of the day.

That's going to be the agenda for today. Any questions or anything? All right. The first item on the agenda is the accountability for Partnerships B.C. plan. Gary.

[Return to Top](#)

For Decision: Accountability for Partnerships Business Plan

Hon. G. Collins: Thank you, Premier.

As many of you know, we created Partnerships British Columbia some time ago in an effort to promote public-private partnerships, involving the private sector in the development of infrastructure and other services that the province of British Columbia currently provides or that in the future we hope will be provided to the people of the province of British Columbia through various projects.

We took some time to make sure that we got this process right. Many other provinces and other jurisdictions around the world have done public-private partnerships – some very successfully, some less successfully. We wanted to make sure that we were in the successful column, so we took a lot of time to explore – around the world and around Canada, North America and elsewhere – models that had worked well and models that hadn't worked quite as well.

We believe we've reached a model and are now prepared to put a business plan in place that will ensure we have very successful public-private partnerships that deliver better service to the public in a more cost-effective and timely way with less risk to the taxpayers of British Columbia.

We've been out there. We recruited a new CEO for Partnerships British Columbia, somebody who's had great experience in the private sector as well as in the public sector: Larry Blain, who used to serve here in British Columbia in the Ministry of Finance and helped set up the provincial treasury some time ago when he was much younger.

Interjection.

Hon. G. Collins: That's right. He cut down the very first tree in British Columbia.

He left government some time ago and has been working in the private sector with RBC Dominion and has been involved both with the previous government as well as with our

government in analyzing public-private partnerships. He was on a number of committees involving the previous government. He also has done a great deal of work for us.

He brings great private sector expertise to the table as well as a very good understanding of how the public sector works and some of the advantages the public sector has delivering infrastructure as well as some of the benefits that the private sector has. I think he is uniquely positioned to evaluate both of those and make sure that we get the best service and the best value for the money that we do spend.

I'm glad to have Larry on board, and I look forward to his presentation to you here today.

L. Blain: Thank you, minister. Good morning, ladies and gentlemen. Actually, minister, I'm still only 36 years old.

With me here today from Partnerships B.C. are Al Sakalauskas, our chief operating officer, and Suromitra Sanatani, who's our vice-president of corporate relations.

I'd like to start out by explaining a little bit about British Columbia's infrastructure challenge and then go into a brief description of public-private partnerships as one of the many solutions to this problem, talk a bit about our business model at Partnerships B.C. and then give you a status report on some of the big projects that we're working on.

Over the last 20 years British Columbia has experienced rapid economic growth, and our investment in infrastructure has not kept up with that growth. We've had rapid population growth, and our infrastructure investment has not kept up with our population growth. Particularly now that our population is getting older, it's putting increasing pressure on our health care system, and our investment infrastructure has not kept up with that.

We also have large deferred maintenance deficits, particularly in health and education, and the total, when you stand back and look at it... Minister Reid announced recently a \$10 billion transportation plan for new infrastructure. If you look at all of the service plans of all of your ministries, there's a total over the next three years of capital investment required of over \$7 billion. So there's a very significant infrastructure challenge.

[9:10]

To meet this challenge, we need a shift of strategic thinking. Right now, when you look at the way the government procures major capital assets – and by "procure" I mean acquire large projects, build them – various options are available. The way we do it now, there's a lack of competition and innovation, and there's a lack of private sector involvement. We'd like to see a world where there's more private sector involvement. It's through the private sector, with the competition and competitive process, that you end up with the cheapest deal and the best deal for taxpayers.

Right now, in procuring major assets, government typically takes all the risks. See fast ferries as one obvious example. We'd like to see a world where the risk is shared with the private sector. The private sector takes some risks better than the government does – the risk of constructing and building. The government should assume risk that it is best able to assume, such as acquiring land or alignments. We'd like to see a balancing of the risks between the party that is best able to take the risk.

Typically, we use government debt to acquire new assets. We'd like to see more private capital. British Columbia has the second-lowest debt load per capita or the second-lowest debt load – debt as a proportion of GDP – in Canada. But it's still too high a number, and it's been growing. So we'd like to see more private sector capital where possible. Assets typically now are supported by taxpayers. There may be appropriate times when we can have more user fees to pay for assets rather than across all taxpayers.

I would say that our procurement process is now inefficient on major projects. If you have a business contractual relationship with the person or the companies that are providing the asset, you may get a faster delivery and a more efficient delivery, fewer changes of scope as you go along and ultimately more projects sooner.

Today government is responsible for protecting the public interest. In whatever model we look at, the government will always have that responsibility. A critical thing about public-private partnerships is that the public interest has to be protected by the government, and you can't get away from that. A good structure for a P3 is one where the public interest is looked after.

The benefits of a P3 initiative – basically, more capital projects sooner. That's good for economic growth. It's a new investment in the economy. But within that general point, it's also true that it's a better form of procurement if used correctly and if done correctly. On a life-cycle basis, over the life of the whole project – which includes building the project and operating it, whatever it is, over a long period of time – you want to have a

cheaper cost than if you procure it through the government, and you want to achieve this optimum risk transfer between the public and the private sector.

In addition, our initiative at Partnerships B.C. is that we want to focus on major projects. We want to get some wins done, some demonstration projects that we can all look to and see that this method worked and that we ended up with a better, higher-quality service, lower-cost project. But we're also trying to establish best practices. If we can set some good examples, then throughout government in all of the procurements and smaller projects that we might not be working on, we can have more P3s and best practices.

Finally, our ultimate objective is to develop a centre of expertise here in British Columbia where we are known around the world for being able to do public-private partnerships, and we can start to export our expertise – not only us in our company – but businesses in British Columbia that learn here from doing transactions and procurements here will build their expertise and be able to go and be more competitive outside British Columbia.

It's very difficult for us to explain today or give you evidence today as to why a P3 project might be a better deal than doing it in a traditional way, because we haven't done any here in British Columbia. There's nothing we can point to. But there's some good evidence now coming out of the United Kingdom where they've had what they call the PFI, the private finance initiative. It's been going on for ten years. They've got ten years of evidence now where they can take those projects that were done by PFI – social program projects such as hospitals, schools and prisons – and look at those projects and compare them to projects that were done using traditional procurement over the same period of time.

The evidence is overwhelming. In terms of the cost of the project and the number of projects that are done on time and on budget, the case is very compelling that a P3 method will result in a cheaper project done on time.

[9:15]

I'd like to explain for a minute our business model at Partnerships B.C. As the Minister of Finance indicated, it's a unique model. There's nothing like it anywhere else. It comes closest, I think, to the Partnerships U.K. model, but it is different. Our basic approach here is that we work for ministers. Our clients are the ministers and the ministries. You are responsible for doing major projects, and we're just there to help. That's our whole idea.

We have a modest balance sheet. We have some money in our balance sheet – less than \$5 million – but it gives us the ability to risk our equity dollars to analyze P3 possibilities in your capital plans and develop a business case around that project. Then we can take it to our board – which will be announced soon – which is a very high-quality, experienced board with a variety of interests and backgrounds. They can look at this from a purely business point of view, and they can say: "That's a commercially viable project, and we recommend that you proceed with it."

We can then come back with the sponsoring ministry – come back to you – and if there's a development budget required to move that project forward, then we can get a P3 appropriation, a development budget, to move that project forward. That gives us a very strong ability to be proactive in moving a project forward.

At that time, if you decide that we should move forward, we enter into a commercial arrangement with your ministry so that we end up... If the project is successful and it's completed, then we can earn a fee for our service, but we don't earn anything unless we are successful. Our interests, in a way, become aligned with that of the market we serve. If we are successful in doing transactions, then we can earn revenue. If we're not successful, then we don't. It's a purely business arrangement.

We have the opportunity to do it right in B.C., because we're just getting started, but we do have some challenges. The first one is that I think we have built up some high expectations about what P3s can do. They are not a panacea, and they are not appropriate in every case. I couldn't imagine more than 10 or 20 percent of all the capital projects that the government does being done in a P3 way. There's only certain times when it's the most appropriate thing to do. You have to pay for assets. It's not like something is being provided for nothing; so they're not a panacea.

Change can be threatening. All of the people who are involved in traditional procurement – from the officials in the government to the companies that bid for business and the design companies, the engineering companies, all the local contracting companies, the people who work in these projects... We're talking about a different model, and change can be threatening. But if we are successful, we end up with more projects being done, and there's more for everybody to do. There's more business. There's more activity. So, through our own success, we can eliminate the threat of change.

There is a lack of understanding of the process and of the benefits. One of the best examples that I can think of, of a lack of understanding of the process, is that I often hear people say: "Well, there's never really enough risk transferred to the private sector."

The private sector gets too good a deal, and we the government are supporting the private sector."

About all I can say to that is the basic idea here is that if you have well-run procurement processes with lots of reputable bidders from all around the world who really want to participate in projects in British Columbia, you get competition. If you get competition, if they really want the deal, then they end up taking all the risks they can – or whatever risks they do take, they get a return that's very modest for taking that risk. That's the way it works. It's through competition that you get the transfer of risk to the private sector.

We have an obligation – and we've stated this publicly – that for any public-private partnership that we conclude, we will publish a report when it's done which explains why we think this deal was a good deal and what the results of it were. We'll start with, in technical terms, what is called a public sector comparative. We'll start with what it would have cost if the government had done it. We'll go through the whole process, and we'll show what risks were transferred, what is the value of that risk that was transferred, what were the changes in the scope of the project that took place through the competition process and, at the end, how this project in its result compares with what the government was trying to accomplish. We'll produce that. Over time, we're going to have more and more of these out there, and people will be able to read about what the benefits and the costs were of doing it this way.

[9:20]

We are in a very competitive market. Getting an RFP, a request for proposals, into the market is about 30 percent of the way there, because the next part is the most difficult part, and that is to get the world – all the international companies with the expertise they have – to want to do projects in British Columbia. Right now in the world there are more projects than there are bidders. We are very sensitive that we need to make British Columbia a desirable place for them to do business. We have to make it easy, efficient and less costly for them to come here and to do bidding processes here. We have to help them get linked into the local economy – all the law firms, the accounting firms, the contractors – and get them easily plugged in and networking together. We have to show them there are prospects; that if there's this deal, then there's another one. They may lose the first two. That makes them hungrier for the third one.

We have to be very sensitive that the market out there is interested in British Columbia. Right now they really are. When I'm finished, I'll ask Al Sakalauskas to comment on a couple of the projects we're working on, which we've just recently announced shortlists

in, and you'll see the nature of these consortia – the kinds of firms that are interested in doing business in British Columbia.

We have accountability measures that we'd like to build into our business plan, and you are our shareholder. We need for you to agree with us as to what it is we're going to be measured on, and so I have a suggestion here. My suggestion is that we should be measured on having some successful projects in the marketplace. We'd like to be totally focused on getting some P3s done – some major projects into the market and successfully contracted into the construction process.

You are our clients, and after we have finished doing a transaction, we need your review that you were pleased with the work that we did, that it was a smooth process and that you would hire us again and do the next project with us. That's a very important measure to us of accountability.

We currently have a modest retainer budget from the province that is supporting us over the first three years of being in operation. We fully expect that retainer will end at the end of three years, and we will be self-sustaining financially. Our accountability measure ought to be that we are totally weaned off government by the end of the third year.

Finally, our fourth accountability measure is that we should become known as a centre of expertise and excellence in doing P3s. The review from the community outside British Columbia and from people in British Columbia as to whether we are such a centre and whether we are gaining in reputation should be very important to us as a measure of our success.

Finally, I would like to give you a brief update on some of our projects. The Abbotsford Hospital project is at the stage now where we just announced a shortlist to our request for expressions of interest just two days ago. The Abbotsford Hospital has been talked about probably since the middle 1980s. It's now becoming a reality. That is a project where the public-private partnership relates to the provision of non-clinical services – the building, the laundry, the food. It has nothing to do with the provision of clinical services under the Canada Health Act.

Our second project in the marketplace on the health side is the academic ambulatory care centre at VGH. That's probably our most advanced project, where we have gone to a shortlist and have now circulated a draft request for proposals. We expect to have the final draft out within a couple of weeks. That one we will probably be contracting in the fall.

The Richmond-Airport-Vancouver rapid transit project. The shortlist response has been in for the requests for expressions of interest. There is a shortlist of four very reputable consortia. It's being announced while I speak, and we'll be able to tell you who those winning candidates are. As soon as all the approvals are in place from the various governments who are participating in the project, they will circulate an RFP, and we will get on with that process.

[Return to Top](#)

[9:25]

The Fraser crossing project, the bridge across the Fraser River at 200 Street, is also well advanced. We have issued what's called a registration of interest. We've asked the private sector to indicate whether they'd like to be on our list to be communicated with. This will be a toll bridge, and it will be financed as a public-private partnership. There are a variety of models that could be used for this, and we're still looking at that. Also, it's very careful that that project has to be integrated into the Gateway project in general, which is the whole regional transportation system in that area. We're working very hard at defining the Fraser River crossing project as part of this bigger project and getting on with it.

On May 6 the government announced the sale of a concession interest in the Coquihalla Highway project. The request for expressions of interest will close on June 6, and then after that, we would take the next step in that process. So that process is underway.

There are also a number of other projects that are at the stage where we are doing the business case assessment: what is the business case for a P3, how would it be structured, and what would be the process for going forward? That includes the Gateway project that I just mentioned. That includes the Sea to Sky Highway project to Whistler; the Okanagan Lake Bridge project; also the Providence Health Care; the Legacy project in Vancouver; and up in the northeast corner of the province the Sierra-Yoyo-Desan road, which is of interest to us because it is currently a P3 where the users of the road pay a toll to use it. It needs a major capital expansion, and we'd like to design a structure where we can use private capital to finance the expansion, and the tolls will be paid for by the users of the road. Because of the increased economic activity that results from the road, the provincial revenues – royalty revenues – go up, and some portion of those can be used to offset the cost of the road. That's a wonderfully structured public-private partnership, and if we are successful in designing it and placing it, then it could be the sort of model that could be used elsewhere in British Columbia for

resource roads. We're quite interested in that.

We also have a number of other projects, which I'll just list, which are just things that we're working on. We are working with Pavco in the marketing of Bridge Studios. We're working on restructuring and establishing a P3 on the Knowledge Network. We are working on the transfer of the PNE from the province to the city of Vancouver. We're also participating in the negotiations relating to the Burns Bog.

Finally, in conclusion, we would like your endorsement of what we're doing. As I mentioned, we have major challenges. We really need your support. We would like your endorsement that we are making progress and that you approve of our accountability measures.

I also should point out, for those who are watching, that we have a new website. It's been revamped. There's a lot of information on it. I invite anybody who's interested in Partnerships B.C. to go there and look around. There's a world of information there on all the projects that we're working on.

Before I invite questions, I'd like Al Sakalauskas to tell you who the shortlist candidates are in the two projects that are just being announced right now.

A. Sakalauskas: Thanks, Larry.

I'm just going to quickly mention the four bidders that are on the Abbotsford health and cancer agency and the RAV project. I'll give you their lead name, which won't mean a lot because they are basically corporation names of convenience, but I think I'll just give you an indication of who the major players behind them are. It supports what Larry said – that the world is coming to British Columbia, and the international consortiums are starting to align themselves with some of the Canadian companies and some of the local companies to participate in some of the P3 activities.

In Abbotsford – and this is not in any particular order – access health Abbotsford is a responding team made up of Johnson Controls, Brookfield LePage and PCL Construction. PCL Construction, as you know, is Canada's largest construction company. They're involved in that one. The financing end is ABN Ambro. ABN Ambro is a financing company from Europe, and they're the tenth-largest bank in Europe.

[9:30]

Fraser Valley health partnerships is the next alignment for Abbotsford. It's a consortium

made up of a Bouygues Bâtiments out of France. I'll use this name again because they're also involved in the RAV project. Bouygues Bâtiments is the number three construction company in the world at this time. They have aligned themselves with their own facility management company, Ecovert, from Europe, who is at this time running a number of hospitals in the U.K. Their Canadian connection is Stuart Olson construction, and their financing arm is McCreary North America, which as some know is Australia's only independent full-service bank.

Health Care Infrastructure Co. of Canada is a partnership agreement between Borealis Infrastructure Management out of Ontario and Corillian Canada Inc. Corillian Canada is one of the largest FM providers in health care right now in the U.K. They are also a finalist on the William Osler hospital in Ontario. The primary constructor is the Ellis-Don corporation. Ellis-Don is basically right now one of Canada's largest hospital builders.

The fourth partnership group is Vancouver health care. Vancouver health care's primary contractor is Acon. Acon will also be mentioned under the RAV project. Acon claims, in fact rightly so, to have completed one of the largest civil engineering projects in Canadian history, and that's Highway 407. They are aligned with an American connection, Turner construction. Turner is the United States' number two health constructor. Gibralt capital is the financing arm. They're tied with TD Securities. TD Securities and Acon have had a long historical relationship. The most famous is the Confederation Bridge.

That's the lineup for the Abbotsford Hospital and Cancer Centre. It's a great lineup, and we're going to ask those groups to go to the next level.

For the RAV project, again we have names that don't mean a lot. They're not in the phone book. RAV Link is a consortium of Fluor – Fluor is the number two construction company in the United States; Siemens, a well-known international engineering company; and Acon again. The financing arm, I think, is First Transit Inc. Another consortium is called RAV rail. It's made up of Alstom transit, Ledcore from British Columbia and Conex from North America.

The number three bidder is RAV Express. RAV Express is made up of a well-known company in Canada, Bombardier, supported by Amec and the company Bouygues, which I mentioned before, from France.

The last bidder for RAV is a consortium made up of SNC Lavalin Inc. and Serco.

Hon. G. Campbell: Any questions from anyone? Kevin.

Hon. K. Falcon: Premier, just an observation. I think this is obviously a really important step forward, Larry, and I appreciate your comments, Al, because the landscape of British Columbia is littered with failed public sector projects. It's amazing to me, frankly, in this day and age that there's any appetite for the public sector to proceed with too many projects when you consider the fast ferries you mentioned, Larry. I also have an office building in Surrey that we wrote off at least \$150 million on, which ICBC was involved with. I can think of the VGH tower downtown, on which I think construction started in 1983. After some \$100 million, we're finally just actually opening it and getting people in. This is something I'm very excited about, and I'm pleased to see there's this kind of international interest.

My question for you, Larry, is... The United Kingdom has really been at the forefront, as you correctly mentioned, in terms of really developing a skill set around the private-public partnerships. It seems to me that in British Columbia we have a great opportunity – you touched on this – to become a centre of excellence, where we can develop the expertise to not only create some great projects for the public benefit but also develop a skill set that we can then export around North America. That, I presume, is going to be an important part of what Partnerships B.C. is thinking about. As you develop that expertise, this is something that we can hopefully export, and sell that skill set throughout the rest of North America.

[9:35]

L. Blain: I've been on the job five months. It amazes me how great the commonality is between the issues you face on a hospital project and the issues you face on a bridge project. It's just amazing how the information seems to sploosh from one deal across to another.

You rapidly become an expert, because you're exposed to the issues and the various transactions you're working on. Having done a small number of deals, I think you have an expertise base that nobody else has. It's very valuable, so I totally agree with you. I think if we can be successful here, we have a very high probability of being able to be successful elsewhere.

Hon. G. Campbell: Great.

Mike, Greg, Judith and John.

Hon. M. de Jong: Thanks, Larry. It's a helpful update on where we're at. The project, of

course, that I have some knowledge of is the one that is taking place in Abbotsford. It's called Partnerships B.C. because of the link between the public and the private sectors. One of the things I have learned, as we move through the formative stages of the Fraser Valley hospital project, is the importance of recognizing that that partnership needs to extend out into the community where these projects are taking place to ensure that this information and more project-specific information is available to people who by and large, I am convinced, are both excited and supportive of the direction that this is going in but have an interest in what is, by our own admission, a very new approach to doing things.

I think Partnerships B.C. has taken some pretty innovative and positive steps to involve those members of the community. My recommendation or thoughts are that we ensure that on that project and others, we recognize that overall success is going to be tied to both the project itself and ensure that there is that understanding amongst the people whom these projects are designed to serve about how they function and why they are going to deliver good value to the people.

Hon. G. Campbell: Greg.

Hon. G. Halsey-Brandt: Larry, a couple of quick questions. The first one. You mentioned in your remarks that there are more projects worldwide than in fact there are bidders out there. I appreciate that the names of those firms that bid both on Abbotsford and RAV are coming from all over the world. Obviously, they're interested in British Columbia. But if there are more projects than bidders, it would appear to me that that drives up whatever they want out of it or drives up the cost of money, if there's a shortage of that out there. When you compare government money as opposed to private sector money and the cost of borrowing – if you could just maybe comment on that...

The second thing on your list of projects. I notice one in particular: your new crossing of the Fraser, which is GVRD or TransLink. Will Partnerships B.C. also be doing projects with other levels of government?

L. Blain: Your first question kind of had two dimensions to it. One is: is there going to be a shortfall of international companies that want to do projects in British Columbia? Secondly, are they going to have enough capital to do this?

On the capital side, there is an enormous amount of capital available for these projects. They're very attractive to all of the major institutional pension fund managers.

There's a world of capital that is available for these projects. To attract the equity investors and the developers, that's just a matter of making our market cohesive for them. They look at things in terms of: what does it cost for us to bid for this project in British Columbia? What does it cost for us to bid for this project in Scotland? What is our relative probability of success? Is there another project after it?

It's a matter of: if we make British Columbia attractive, they will be here. Once they get involved in the competitive process here, then they're going to have to do better than the people they're bidding against.

[9:40]

Your second question about the Fraser crossing project. The project office for the whole Gateway project has been integrated so that the TransLink people and the Ministry of Transportation people are working together. Obviously, the project has to be integrated. Partnerships B.C. is the procurement manager doing the business and commercial issues side of the project for the general project office. So yeah, we are working for TransLink in that sense. They have expressed an interest in the Fraser River crossing when we had the business case, taking it to our Partnerships B.C. board and giving some comfort to the TransLink board that all the business issues have been looked at here. I think they see that as a value-added. I suppose, to conclude, the acid test of our success as a company is when we get some clients that are not the province of British Columbia, and other people are interested in using us.

Hon. G. Halsey-Brandt: Right on. Thank you.

Hon. G. Collins: I just want to add, in response to the question. Larry explained how there are lots of projects out there and that there are bidders, but there are probably more projects out there. What we need to do to position ourselves to be the place people want to come and do deals and create partnerships... There are lots of people out there, lots of jurisdictions that want to do P3s. Lots of them don't know what they are. They view it as a panacea, and you see that in various jurisdictions where they've tried to do this and it hasn't worked. But there have been other jurisdictions that have done public-private partnerships, and they've been very successful. What we tried to do, rather than come in on our first day in office and set up a card table on the front of the Legislature steps and say let's do P3s now, is that we took some time to ask who has been successful and who has been unsuccessful.

A Voice: Where's the card table gone?

Hon. G. Collins: It's still in my office.

A Voice: It's in front of my office now.

Hon. G. Collins: We tried to ask who has been successful and what were the key things they did that allowed them to have public-private partnerships that the public, the government and the private sector all saw as a good project that had benefits for everybody. What were the jurisdictions that started, you know, in a blaze of glory and nothing ever really happened? What did they do that was wrong?

We've really taken some time to do this right. We now have people coming from across Canada to see the system we've set up in British Columbia. They are intrigued by it. They can see it as a model that will get successful deals, and they can see already that we're moving successfully through various stages of some fairly major projects. We have good interest, as Larry and Al mentioned, from some pretty big players.

What we have to do to make sure we are attractive isn't that we pay more. It's that we reduce the risk that's there for the private sector that we can control, because there's risk transfer, but you have to assign the risks to the right people. As Larry and Al said, the construction risk we're not particularly good at, and Kevin mentioned the ICBC project in Surrey. Some of the things we can be good at is making sure we get our processes in line, that we have some structure to them, that people can count on them, and that we're not starting and stopping, starting and stopping, hesitating and rethinking all the time.

Those kinds of things drive private sector investors crazy, because those starts and stops cost them a fortune. They have to ramp up people, expertise, highly paid engineers and consultants to make projects successful. The more we create that uncertainty or fail to do our planning ahead of time, the more likely it is that they're going to become frustrated and say: "I don't care if that's an attractive deal. It may never happen, and we could spend a fortune waiting around for government to get its act together. Let's go elsewhere."

By having a good system in place, by taking the time to get it right, that creates a lot of value for those private sector partners because they can now, in their business plan, say: "Okay, here's our time line. We know that this project in Abbotsford is going to hit these stages at these times. We can put that into our business plan as a private sector company. If we're successful, great. That's wonderful. If we're not, at least we know what our risks are. We know what our costs are, and we're willing to take that. It's not going to be some risk over and above that."

So you do create value by taking the time to get it right, by getting those risks identified early on and sticking to a good, clear, transparent process that's viewed as fair by the participants. That's how you attract the calibre of bidders we have on these four projects.

The other thing I want to say about this that's important is that you see a number of names of companies that are from outside British Columbia, outside Canada, but what you also see is that when they come here, they're not going to ship workers from Paris to British Columbia, to Abbotsford, to build the hospital. They're going to contract with local companies, local construction companies, etc.

[Return to Top](#)

[9:45]

It does two things. First of all, the local people are working on the projects, but it also exposes the expertise we have here in British Columbia to these players – some of the skills we have, some of the managerial skills we have, some of the efficiencies we have. If there's now a project, let's say, in Australia or in Texas or somewhere, they can say: "Remember those guys we worked with in British Columbia who were really good on that other project? Maybe we want to bring them in as part of our consortium."

The reason you see these consortiums from other places is because they've done deals together in other places. They're comfortable working with each other, and now they're exporting that expertise to B.C. We can build up those skills and create opportunities for our firms to now become part of those and do other projects elsewhere. There's a longer-term benefit here to the economy over and above just the construction.

Hon. G. Campbell: Judith and then John.

Hon. J. Reid: Larry, one of the parts of your presentation that I'd just like you to spend a few more moments on, because I think it's so important and integral to everything we're trying to achieve here, is the reporting out at the end of a project and the comparatives that you have to do. We have to take into account as government, when we make the decision, that we're in a better financial position for the taxpayer by making a decision and using this method instead of the traditional government method.

Whether it be the Abbotsford hospital or the Coquihalla Highway, at the end there will be this report that shows exactly what factors were taken into account in order to be

able to verify that. I was just wondering if you could spend a few more moments to explain that and how extensive and involved a process that is in order to be able to show exactly the success of the project.

L. Blain: Sure. One of the difficulties is that once you've gone the route of a P3, when you're finished, it's hard to say what it would have cost if you were to do it through traditional procurement because you've just gone through a process where all of the competitive forces have changed the project. So you rapidly end up with an apples-and-oranges kind of situation.

What you can do is go through the whole process and say: "Well, when we as a government decided to do this project and we looked at doing it as a P3 and we looked at doing it traditionally as a government procurement, we did the analysis and calculated what is called a public sector comparator. We decided that the expected benefits are there with the P3, so let's go that route." That's the starting point: the public sector comparator.

Then as you go through the whole process of procurement, you can document all the changes that took place, and you can come to a conclusion at the end as to whether you achieved the changes you were looking for and how they met with the objectives of government. That's one area of analysis.

Another thing we can do – and we will do it on every project – is maintain what is called a shadow bid. I don't mean to be devious about this, but a shadow bid is when we go through the RFP process, we do internal calculations which, in a sense, replicate what we think the bidders are going to bid. So when they finally bid to us, if their bids ? all of them ? are out of whack with our shadow bid, which we think is a fair and reasonable bid, we may come back to you and say: "Don't do it, because none of the bids are acceptable. They are all offside against our shadow bid."

That is an internal thing that we will maintain, and you'll be seeing us coming back to you with the shadow bid against the proposition from the private sector. But we want to be very clear and explain everything when we're done so that people can look at it and evaluate for themselves whether it's worthwhile.

Hon. G. Campbell: John.

Hon. J. van Dongen: Thanks, Premier.

Larry, if we use the Abbotsford Hospital and Cancer Centre as an example ? and this is

kind of following up on Judith's question ? how would you compare the typical successful bidder on a traditional project or a project procurement done in the traditional manner, versus the typical successful bidder on a P3 project in terms of skills, capacities, experience ? that kind of thing? Would the profile of the successful bidder be quite different using those two different approaches? Is it possible that a group or a subgroup of a P3 project bidder would look at a traditional model also? I'm curious how you would profile the two types of bids.

[9:50]

L. Blain: One way to characterize it might be to distinguish between a developer and a contractor. A contractor responds to a request from the government to provide a certain service: to design, to bid, to provide operating services afterwards ? separate contracts for separate functions. With a P3, a developer takes on the whole thing – gets a designer, gets the engineers, get a builder, gets lawyers, accountants, financing – brings it all together and pulls the whole team together and then goes in with one-stop shop and takes on the whole project.

So it's a developer versus a contractor. The developers are all around the world, and they're all global companies. There are big developers. Spain has two big developers; the United States probably has 15. There's Mitsubishi in Japan. There are British companies. SNC Lavalin might be one that you might look at in Canada, or perhaps Bombardier. But there are none of that scope or scale in British Columbia. Wouldn't it be great if we could have some, because they're footloose firms where they do business wherever they can do it? It doesn't really matter where they reside. They could reside here because it's a great place to live.

Hon. G. Campbell: Can I just say that I think the most important thing, Larry, that you've said so far is that this isn't a panacea.

One of the things that we're really good at is looking outside of government and seeing all the things they do wrong and trying to forget about the things that we don't deliver well in government. You know, we've said, specifically, you're going to deal with major projects. That's what we're looking at. It seems to me we should recognize that major projects, although we often think governments shouldn't do them because they're so big... The chances for real problems with major projects are significant. We forget about those costs. We think about the fast ferries. That's \$450 million. We think about the ICBC building that was put in Surrey. That's about \$120 million to \$150 million. That's \$600 million so far. You think about the Vancouver General Hospital. If you go back to when it started, it's about another \$150 million. It didn't go to anything for any patient

anywhere. The ICBC building didn't do anything for any ratepayer anywhere. We all know what the fast ferries did for the ferry fleet.

You take \$450 million for the fast ferries, \$150 million for the ICBC building, \$150 million for the Vancouver General Hospital... The Coquihalla Highway when it was first built was hundreds of millions over budget. That's a billion dollars that just sort of went into the ether and that government wasn't managing well.

I think even having this sort of discipline where we look at ourselves and say: "How do you deliver those projects in the most cost-effective way...?" I'll tell you this. There is no private sector partner who will come to us and say: "We really don't care when this project is done. We'll leave our money floating around, doing nothing, being unproductive and not delivering a service for as long as you guys feel like it." That won't happen. It creates a discipline on us as well as a discipline on the partner in this.

The other thing that's critical is... There are times when I think there has been sort of a little bit about, you know, we can do P3s – it's free. P3s are not free. They are just a more cost-effective way of delivering some of the capital plant that we need.

We looked at this, and actually, we did a risk analysis and a preview with the Vancouver convention centre expansion. When you looked at it, there were too many risks that the private sector could easily identify. That wasn't going to be available for them for seven years. It was going to have to be taken out and used for the Olympics in 2010, if we were successful with it. They couldn't tell exactly what was going on with the marketplace. All of those things said they're not willing to take on any of that risk.

So it made more sense for us to do it ourselves – manage it properly as a project, do it with the city, do it with the feds. You may well get to the end of that where there is a partnership that's available. But when we've done that, we will have got through so we've taken away a lot of that uncertainty that exists in the framework.

Part of this creates discipline on government; it also creates discipline in the private sector. That's where, hopefully, we optimize the risk. I think at the end of the day, we have to try and remember to remind taxpayers that we're trying to not cost them money that does them no good. That's what's happened in the past.

The other thing that happens is that we have plans that are replanned and replanned again. I can't think of how many times the Abbotsford hospital has been planned and replanned in the last ten years. As we bring this to fruition, the plan's going to be set. The operation of the hospital is going to be set, which is another big part of where those

costs are. Colin, you or Sindi can confirm this, but I think that you pay for most of the capital costs within about three years for a hospital in terms of what the ongoing operational costs are of those kinds of facilities.

So it is important for us to be clear about what P3s can and cannot do and how they can and cannot work. These projects that we've identified – I mean, some of them may go forward, and some of them may not, depending on how this looks. They're looking pretty positive right now, though, from the bids that we've got.

Gary, do you want to wrap up here?

[9:55]

Hon. G. Collins: Sure. I think what we're looking for... I think the Premier made a good point about it not being a panacea.

It is something I do want to point out, and Larry mentioned it. We do billions of dollars a year in capital investment. The vast majority of it will not be something that we do through a public-private partnership, because it won't fit. There won't be a better benefit to the taxpayer to do it that way, but there are some projects where it makes sense to use a public-private partnership and gain the expertise and the benefit and the innovation of the private sector in doing it.

The vast majority of capital expenditures we make will continue to be done by government, by health authorities, by school districts, etc. We have to make sure that we do it – and we have done it through the restructuring of the capital management plan – in a way that makes sure that the risks we are taking are minimized and that we manage the projects better. We're not out there trying to make sure that every project we ever do is a public-private partnership. We want to look at every project and see if we can get better value doing it that way. A big chunk of them won't. It will still be provided in a more traditional way.

I guess, Premier, what we're looking for here today for decision from the cabinet are a couple things: first of all, that the business plan that Partnerships B.C. has to become commercially viable within three years is something that cabinet is comfortable with and approves; second of all, that the accountability measures that we've placed in the business plan – because you will be the clients – are accountability measures that you're comfortable with and that you would like to see us pursue.

I'll just run through those for you again. Those measures and the success of

Partnerships B.C. in serving its clients will be measured by the actual delivery of successful projects. We'll be measuring the client satisfaction throughout the process of developing those partnerships, so we'll be talking to you and asking you to gauge the satisfaction level of the service that Partnerships B.C. is providing you.

Thirdly, we want to build local expertise. We're going to measure ourselves as to how we do that – that we build up the expertise in delivering these kinds of projects in the private sector as well as in the public sector – and how we are able to build some of the reputations and expertise of local companies that they can then market elsewhere.

Fourthly, measuring how well we're able to inform the public about this new method of providing services to them, about the risks that are involved as well as the benefits that are involved.

Those are the four accountability measures that you, as the clients, will be gauging the success of Partnerships B.C. on in delivering their business plan to you. The last item is that we develop an international profile for British Columbia as a place where these projects are being done successfully and that as a province we're able to export the expertise to other parts of the world and help them be successful and, hopefully, generate some economic activity here in British Columbia as well.

Hon. G. Campbell: Any additions or deletions? Kevin.

Hon. K. Falcon: Gary, just on that, I think those are good measurements. But I think, candidly, that it would probably be better if someone more independent than us, like the Progress Board, was looking at whether those determinants were successful or not, because it will be in our interest, obviously. I mean, my interest would... I want these things to succeed. I believe they will, but I just wonder if one step removed from us determining whether those determinants were, in fact, successful would make sense.

Hon. G. Campbell: Maybe Larry wants to comment on that.

L. Blain: That strikes me as a good idea. On some of the more subjective measures around our international reputation and making progress in that area, they might have pretty good ears on that and could comment. On that point, I think that's a good idea. Specifically, the read from the clients as to how we're doing... I mean, that has to come from here, but I could be supported by what the Progress Board thinks we are doing offshore.

Hon. G. Collins: If I can just say something, I don't know that Kevin was specifically

recommending the Progress Board, although that's an interesting idea. We might be able to do that. I haven't asked them. I don't want to load them up with other stuff. Maybe there is a way, and we should go back and think about this, Larry, and how we do that.

What would be an independent way of evaluating those measures and determining whether or not we'd hit them? Maybe there is a way to do that. I think that's a good point Kevin made.

[Return to Top](#)

[10:00]

Hon. G. Campbell: We'll accept the accountability measures for ourselves. We'll add the fact that we'll ask for Partnerships B.C. to come back with independent, arm's-length analysis as well, including reference to the Progress Board for their comments back to us on it. Okay?

Thank you very much, Larry.

L. Blain: Thank you.

Hon. G. Campbell: We appreciate it.

The next item on the agenda is George, first peoples language initiative.

George.

For Information: First Peoples Language Initiative

Hon. G. Abbott: Great. Thanks, Premier.

Good morning. It's a good opportunity here for me to bring cabinet up to date on the first peoples language initiative. As I'm sure everyone recalls, this is one of our new-era commitments that we made in the last election campaign – to preserve and promote aboriginal languages. It's certainly been a very important effort by a number of partners in this, including the aboriginal director at Community, Aboriginal and Women's Services.

The commitment we made, Premier, recognizes, of course, that language is the

foundation of culture. It's really a vital element in building strong, vibrant and healthy aboriginal communities in this province. By preserving and promoting B.C.'s indigenous aboriginal languages, we're maintaining literally a vast storehouse of thousands of years of human knowledge and experience that would otherwise be lost. We are taking concrete steps to meet our commitment, and I'm looking forward to outlining some of those for you here today.

This year government is providing \$870,000 to the first peoples heritage, language and culture program to support a wide variety of community-based language preservation projects throughout the province. The government's committed to increase this annual funding support to \$1 million annually beginning in April of 2004. The funding will come from the First Citizens Fund – a perpetual fund established to support aboriginal economic, social, cultural and educational activities.

We also made a commitment, Premier, in the New Era document to double our First Citizens Fund from \$36 million to \$72 million by April 1, 2004. Three of those instalments have now been completed. The fourth will be completed, obviously, next year. The injection of these funds enables the province to engage in partnerships, undertake initiatives aimed at preserving and promoting those aboriginal languages.

What we see on the screen here is obviously a map of British Columbia. It tells us where the ancestral homes of 32 indigenous first nations languages are. We have a very unique and rich heritage in aboriginal languages in British Columbia. Some 60 percent of all aboriginal languages in Canada, in fact, are in British Columbia.

At this point, I'd also like to tell you about a truly innovative language program that's been developed right here in B.C. FirstVoices.com is a first-ever Web-based language archiving and teaching tool. FirstVoices.com will enable aboriginal people and their communities to record, teach, preserve and utilize their languages. This website was born out of an urgent need for aboriginal communities in British Columbia to document and archive their endangered languages. In some cases, Premier, there were literally just a few elders left in some communities who could speak these languages, so this has been a very important initiative to ensure that those languages didn't die with the elders.

The FirstVoices initiative is one example of ongoing support by the province for the preservation and revitalization of these languages. This tool will help strengthen communities by creating opportunities for elders to work with youth and with other community members on language preservation activities. We've seen some of this in action, and it really is pulling communities together in quite remarkable ways.

The program is based on revolutionary technology that's received considerable national and international interest, including significant interest from provincial and territorial governments in Canada. I know when Geoff and I held the western Canadian aboriginal affairs ministers conference here in Victoria, there was great interest in this program from the other governments. We've also had significant interest from aboriginal communities in California and, as well, aboriginal agencies in Australia, who are also looking at initiatives of this kind.

[10:05]

The graphic you see on the screen now is from the First Peoples Cultural Foundation website. The image is a flash presentation about FirstVoices, which is available at FirstVoices.com. The program provides an interactive, multimedia technology that's both user-friendly and highly versatile. If I had an opportunity to turn on my computer, I could probably even figure it out over time.

Communities, through this tool, will be able to incorporate previously created CD-ROM dictionaries, audiotapes, videotapes and other teaching and archiving materials using interactive, web-based technology.

The graphic now on the screen shows a representation of the FirstVoices.com log-in screen also from the Flash presentation available at FirstVoices.com. It's one of the most important innovations developed by FirstVoices, and it incorporates the ability to use standard computer keyboards to create words in the unique script of each of the aboriginal languages that exists in our province.

An important element of FirstVoices.com is that people living away from their home communities – and there are many now in British Columbia who've relocated, often to urban areas and away from their ancestral homes – will be able to connect and participate in the language-learning activities through this Internet connection. Again, I think it's a really great example of building communities and of sharing community resources.

The aboriginal community is, I must say... I want to credit them, Premier, for the vision that's become FirstVoices.com. Since the inception of this project, the First Peoples Cultural Foundation has partnered with e-learning specialists, linguists and community leaders who have provided very valuable advice in respect to its development.

The preliminary version of the program was tested at workshops involving linguists and

community-based language teachers at the University of Victoria and in Kamloops during the summer of 2002. Refinements to the program from these and other trials have now been incorporated into a version that I'm happy to say will be launched on June 19.

Through summer workshops in 2003 and continuing efforts, the Shuswap and Saanich first nations languages are the first to have a significant volume of entries into the FirstVoices.com program.

The concept of utilizing Web technology, Premier, to improve language teaching and archiving originated with two teachers working at the Lau Welnew Tribal School in Saanich. After two years of development by the First Peoples Cultural Foundation, the technology is now ready to launch. As I noted, FirstVoices.com will be officially launched on June 19, 2003, at the tribal school in celebration of National Aboriginal Day.

FirstVoices.com has been, as I think many things are with our government, a very unique kind of partnership. Provincial support totalling \$450,000 over the past two fiscal years has provided developmental funding to the First Peoples Cultural Foundation to develop the technology. Again, as is often the case in some of these very good and unique partnerships, the private sector has also stepped up to the plate in a very big way to assist in FirstVoices.com. We've received very important private sector support from Apple Computers, Hewlett-Packard, Shaw Communications and others. Certainly, the First Peoples Cultural Foundation is working very hard to build even more of those kinds of partnerships in the months and years ahead. I know they're also working with the federal government through the Department of Canadian Heritage to provide some federal implementation support for the initiative as well.

In conclusion, Premier, FirstVoices.com is an excellent example of the kind of partnerships that can be created through the efforts of government – in this case the aboriginal directorate of CAWS – through the private sector and certainly through the aboriginal communities across British Columbia who have been very enthusiastic leaders in putting this all together.

We've targeted ministry resources to help communities organize to expand a concept which was initiated, as I noted, by teachers in an aboriginal school right here on Vancouver Island. Private sector supporters recognize the power of this new technological tool and have contributed in a very important way to its effort. FirstVoices will be seen as a successful collaboration of the provincial government, the aboriginal community and the private sector.

[10:10]

As I noted, the launch is June 19 out in Saanich and will be part of our celebration of National Aboriginal Day, and we look forward to that day. I look forward to any questions which you or other cabinet ministers may have with respect to this project.

Hon. G. Campbell: Thanks.

Judith.

Hon. J. Reid: In your presentation and also in the written notes that we received, there is a place for registered users or a password so that, based upon community wishes, all recorded information on their language can be password-protected. I don't understand what that's about. In thinking that this is a tool for people to access, why would there be restrictions around this knowledge?

Hon. G. Abbott: I think the kind of instance where that might be used is where, within a community, an elder wanted to share a remembrance of sorts, a personal remembrance, with a youth or one of their children or grandchildren in the community. And if they wanted to have that kind of a personal thing, they could do it. I think that would be very much the exception rather than the rule. I think in virtually every instance, apart from those kind of personal recollections where they might want to protect them, the initiative would be to share information and learning rather than to protect it. But there certainly will be instances where elders may want to pass on something of a personal character to their children or grandchildren, and this would allow them to do it.

Hon. G. Campbell: Christy.

Hon. C. Clark: George, the aboriginal graduation rate for students has gone up to 42 percent, which is quite... I mean, it's terrible, but it's an improvement over where we were before. I think a big part of that has been the fact that our programming in schools and districts has worked really hard to make sure there is more content that's relevant for first nations kids and that speaks to their roots and their heritage.

This archive will be an incredibly important asset for our school system in connecting kids with their heritage. I'm interested to know if there's been any connection made already or if the designers of the program have thought about how they might connect it, you know, so that it's IRP-friendly and can fit into the curriculum fairly easily.

Hon. G. Abbott: Yeah, I think I'd say a couple of things in response to that. I think a large part of this is pride of heritage and pride of community. I think that is an important element in helping aboriginal young people move forward and be successful in their learning. I'll go back to my constituency on this one. School district 83 actually has done very well in relation to graduation rates for aboriginal students there. I think it's over 60 percent or maybe even approaching 70 percent right now.

Hon. C. Clark: It's very high.

Hon. G. Abbott: School district 83, under the leadership of Richard Zigler, has been putting particular emphasis for some time on trying to create culturally relevant materials for young aboriginal students. I think it really has helped to keep them involved and to keep them engaged. It has assisted there.

I also heard a story just a couple of days ago about a group of three ten-year-old aboriginal kids who have now written a book in their own language, the Saanich language, which, again, is just a great example of kids reconnecting with their heritage and expressing pride in that heritage and using that as a learning tool.

You know, you're right: 40 percent is an absolutely unacceptable graduation rate. We need to improve on that. I think we can learn from the experience of some parts of the province where culturally significant things have been done to really encourage stronger academic performance and better graduation rates.

Hon. G. Campbell: Linda.

Hon. L. Reid: Thanks, Premier.

George, certainly early childhood educators across the province have a real interest in this area. They have managed to bring onside elders, all across the early childhood development projects, who are going to be teaching basically three- and four-year-olds to have access to this material and to actually learn those languages at much younger ages. We've had difficulty, as you've noted, in the self-esteem and self-confidence areas in terms of trying to teach 15-, 16- and 17-year-old folks their language and their heritage. To bring that down much younger certainly will have, I think, added impact.

Is there any difficulty in this, in terms of the mechanics of this process, to have very young children use the materials, or will those considerations be taken into account?

[10:15]

Hon. G. Abbott: I'm always amazed, first of all, how quickly children can pick up on how to turn a computer on and how to use it. I know my own kids mastered the computer in approximately 5 percent of the time it took me to do that – and at a fraction of my age as well. We're just starting to learn how this tool can relate to particularly young kids, but I think it's going to be very good. The way that it's structured – and I've seen a couple of demonstrations now – is very user-friendly. It's very simple. It uses the audio and visual cues to assist. I think it's an excellent tool, and kids take to it really quickly, as they do to most things related to the computer.

Hon. G. Campbell: George, are we having any sharing from the federal government with regard to this? The incredible thing about this for me is that we have 60 percent of first nations languages, and when we think of it, we certainly don't want to be... We've lost some, and we don't want to lose any more. Is the federal institution helping to resource this in any way? Are there any things we should be doing to complement what we're doing here?

Hon. G. Abbott: The federal government has not been engaged to this point, but I'm looking forward to meeting Sheila Copps from Canadian Heritage sometime here in the next month or so, I hope. They have some interest in it, and I think they're close to becoming engaged in supporting this.

Heritage has set aside a very considerable amount of money for preservation and promotion of aboriginal languages. It hasn't escaped our attention that given that we've got 60 percent of the languages, we really should be getting something more than the traditional allocation - about 13 percent - based on population. We have argued and will continue to argue, and I think ultimately successfully, that British Columbia really should be the home in terms of the federal government's efforts on preservation and promotion of aboriginal languages as well, and I'll be looking forward to exploring those possibilities with Minister Copps in the months ahead.

[Return to Top](#)

Hon. G. Campbell: Any further questions?

Thanks, George.

Hon. G. Abbott: Thank you.

For Decision: Oil and Gas Strategy

Hon. G. Campbell: The next item on the agenda is some issues we have to deal with in regard to the oil and gas development. Dick.

Hon. R. Neufeld: Thank you, Premier.

Today I'm pleased to present to cabinet the oil and gas development strategy for the heartlands for your consideration and decision. This four-tiered strategy - comprising roads, royalties, regulations and service sector strategy - will increase oil, natural gas and mineral development in British Columbia, increase provincial revenues to support health care and education and increase job opportunities.

British Columbia is endowed with a wealth of oil and gas resources. These resources have the potential to help revitalize our economy and create the prosperity that all British Columbians can benefit from. The Ministry of Energy and Mines has been working with the industry, the service sector and stakeholders to complete research and analysis of the opportunities and challenges facing the oil and gas industry. Government, industry and citizens recognize the necessity to work together to create a long-term vision of how to develop oil and gas resources in a fair and responsible manner while protecting health, safety and the environment.

The oil and gas industry has become one of the major economic drivers in the provincial economy and, at an estimated \$1.5 billion in revenue this year, is the largest source of natural resource revenues to the government. In fact, more than \$4 billion worth of investment flows in B.C. through oil and gas exploration and development on a yearly basis. This industry supports local businesses, provides employment opportunities and economic development for the people of this province.

The oil and gas development strategy for the heartlands began with the Premier's energy summit held this past January in Fort St. John. It is also consistent with and implements several policy actions of the energy plan released last November. We made a new-era commitment to revitalize the economy by creating an environment for a thriving private sector economy that creates high-paying job opportunities.

[10:20]

We also committed to reduce red tape and the regulatory burden on business by one-third and to provide faster approvals and greater access to Crown land and resources to protect and create jobs in oil and gas and mineral production.

The Ministry of Energy and Mines service plan objectives include increasing investment in energy and mining resource development in B.C. One way we will accomplish our goal is by facilitating infrastructure development to improve access to oil and gas, mining exploration and development opportunities. The ministry has a mandate to support job creation through the responsible stewardship of B.C.'s energy and mineral resources.

An oil and gas development strategy would be an integral component of the government's heartlands economic strategy that would help expand business opportunities, increase trade and create well-paying jobs for British Columbians. The oil and gas development strategy I'm proposing to you today meets the objectives of all of these strategic plans and will be a key component in returning prosperity to British Columbia.

However, there remain unsolved barriers that inhibit B.C. from realizing its true industry investment, revenue generation and employment creation potential. The strategy proposed today will go a long way to alleviating these barriers. Here's how. As I previously mentioned, the strategy is composed of four main areas: roads, royalties, regulations and strengthening B.C.'s service sector.

The first component is roads. Both the oil and gas and the mineral resource sectors rely on ground-based transportation for their economic existence and are, therefore, reliant on good road infrastructure. The government of British Columbia would contribute royalty credits of up to \$10 million annually towards the construction, upgrade and maintenance of industrial roads in support of resource exploration and development. Funding would be contingent upon an equal contribution from industry.

As representatives from Partnerships B.C. mentioned, new roads would be constructed and managed using private-public partnerships. The Ministry of Energy and Mines would work with Partnerships B.C. and industry to set road standards and to identify and prioritize infrastructure requirements. New and upgraded road infrastructure would improve access to resources, extend the drilling season, increase economic activity in British Columbia's heartland communities and increase revenues to the province.

The Sierra-Yoyo-Desan road, which I'll refer to from now on as the SYD road, is an example of an immediate opportunity to implement this innovative way of developing infrastructure to support an expanding resource industry. The SYD road extends 188 kilometres northeast of Fort Nelson and allows access to substantial natural gas and forestry resources, which in turn provide sizeable royalty revenues to the province.

At present the SYD road faces many issues. Two examples are: it is a narrow, crooked road and presents difficult driving conditions that often result in accidents causing serious injuries and long-term delays. A single-lane bridge, which is on the screen, is a bridge shared with B.C. Rail.

This is the major arterial route to that gas field, and in peak times during the winter 1,500 oil and gas vehicles - mostly trucks - traverse that road. That's one every minute crossing that bridge at peak times, sharing it with a railroad. That is unacceptable and a bottleneck that we have to deal with. In fact, that's an actual count of traffic on that piece of road. It's more traffic than is on the Alaska Highway between Fort St. John and Fort Nelson.

The road requires a new bridge to allow better access and major upgrades to make it a high-grade, all-season road able to support an expanding oil and gas industry and forest industry in B.C. Obviously, improvements would serve to enhance safety, which should be our number one priority, strengthen the road for summer use and generate an increase in exploration and development activities.

Resource development opportunities and British Columbia's benefits cannot be maximized without eliminating some of these bottlenecks. An innovative public-private partnership would be used to upgrade the SYD road. This \$38 million project would be cost-shared with industry on a 50-50 basis.

[10:25]

The second component of this strategy is the royalty program. The Ministry of Energy and Mines regularly reviews resource royalty regimes to maintain our competitive position for attracting energy investment. Staff with the ministry work closely with the Canadian Association of Petroleum Producers and Treasury Board to review provincial royalties and identify what targeted changes could be made to enhance revenues to the province and increase employment in the industry. These targeted changes to provincial royalties must maximize Crown values, induce long-term investment and be simple to administer.

I propose the following changes to provincial royalties: new royalty rates for low-productivity natural gas to encourage marginally economic resource plays, royalty credits for deep gas exploration to locate new sources of natural gas and royalty credits for a summer drilling program to expand the drilling season.

I'll just maybe expand on those a little bit more, Premier. What we're witnessing in

British Columbia and with the announcement of EnCana just east of Fort Nelson ? we just spoke about the SYD road that accesses that area... There is some shale gas and tight gas, and our royalty regime does not recognize the cost of drilling and producing that type of gas. We want to change the royalty rates so we can encourage those industries to go in and develop that natural gas, which obviously will provide jobs and revenue to the province.

Also, our royalty rates do not recognize the high cost of drilling in the foothills ? deep gas wells that are maybe to a depth of 9,000 feet. We have one royalty rate, and that's it. It's obviously more expensive to drill in the mountains because of access and, secondly, because of how deep they have to drill. We want to recognize that and encourage that, because there is natural gas and oil there. It's just that we have to, as a government, be able to lay the groundwork so those companies can go in and develop it, and that will be a benefit to all of us - the province, health care, education.

We want to expand the summer drilling. Right now we do most of our drilling in British Columbia - because of the country that our oil and gas is in, which is mostly muskeg - in the wintertime when it's frozen. But there are ways to do it in the summertime, and that's with rig mats, which are mats that they place out on the muskeg. They can actually move drilling rigs out on the muskeg and drill in the summertime.

That does a huge amount of things for the province, especially for employment. If you do most of your drilling in the winter, obviously, you can't have the stable of people to provide that workforce or the equipment, so a lot of it comes from the neighbouring jurisdiction called Alberta. We want to get away from that as much as possible so we can extend that season, people actually have year-round jobs, they can live in British Columbia, and we can have better communities and healthier communities.

There's a social part to this too, Premier. When you take people and you work them really hard for... You do that, but you do that year-round. [Laughter.]

We're getting used to this, but people in the oil and gas industry that actually go out and work...

Hon. G. Campbell: You were doing so well until then.

Hon. R. Neufeld: ...three or four months a year - long hours, never at home... This causes some social problems that show up in our homes. [Laughter.]

Interjections.

Hon. R. Neufeld: I'll leave that one for now.

Hon. G. Campbell: Needless to say, Dick, you'll be spending a lot more time at home in the future.

Hon. R. Neufeld: That's a little thing for you to recognize that we have to get home once in a while too. So appreciate that.

This is designed to expand the summer drilling season.

The third component obviously, Premier, is regulations. Consistent with the governmentwide deregulation initiative that Minister Falcon is working on, the Minister of Energy and Mines and the Oil and Gas Commission are working to reduce unnecessary regulations on the oil and gas and mining industry.

[10:30]

We're on the right track. So far MEM is at 15 percent, and we're on track to meet our goals by 2004-05. The ministry is working with the industries, both the mining industry and the oil and gas industry, to develop smart regulations in the ministry. We're proposing to launch an advisory group of industry and stakeholders to provide advice on further oil and gas regulatory streamlining.

The service sector strategy. It's the fourth and final component. B.C.'s oil and gas service sector's advantage obviously, which is mostly now in northeast B.C.... We want to move that out to the Bowser basin and the Nechako basin in time, but it's located mostly in northeast B.C. in close proximity to Alberta. It's advantaged, though, by its close proximity to our gas fields and local knowledge. The Ministry of Energy and Mines is initiating a service sector strategy as a means to examine the business environment in which local industry operates, identifying actions that support or challenge business growth. Obviously, being that close to another jurisdiction that's heavily involved in the oil and gas industry does present its challenges, but we have some excellent service industry people who can compete on a much more level playing field with anybody in Canada. This strategy will be designed to encourage industry investment in local communities and create long-term, stable employment for British Columbians.

To summarize, Premier, the oil and gas strategy can be an integral component of our government's heartlands strategy as a key tool for restoring prosperity to British Columbia. The strategy would help open up the province to year-round business

opportunities in the oil and gas sector. It would increase provincial revenue and create well-paying jobs for British Columbians living in heartland communities. The oil and gas development strategy is proof that the government is moving ahead with its new-era commitment to revitalize the economy by developing the province's oil and gas resources in a fair and responsible manner while protecting health, safety and the environment.

Today, Premier, I'm requesting approval for the oil and gas development strategy.

Hon. G. Campbell: Okay, so specifically you're saying that you want approval for low-productivity royalties for low-productivity holes. You're asking for variable deep gas royalties to make sure we can encourage that. Variations for summer drilling royalties...?

Hon. R. Neufeld: Yes.

Hon. G. Campbell: Okay. Any questions on this? Bill.

Hon. B. Barisoff: Richard, I know that both your ministry and my ministry have worked together on these targeted royalties. I guess what I'd like you to expand a little bit more on is the benefit that the northeast will actually get, the entire region, by allowing these targeted royalties to go. I can see the benefits to the oil and gas industry, but could you expand a little bit more on the benefits that the whole northeast will get from this?

Hon. R. Neufeld: Maybe I should expand that to the province. The northeast will obviously see a benefit through more activity, so there will be more employment, but that relates directly to the province as a whole and to the Provincial Revenue minister's bottom line.

We have anticipated, with changing our royalty structure to allow for those different costs, that doing different types of drilling will actually encourage more drilling in British Columbia. That does a number of things, because it's not just royalties that actually bring the money to the province. It's income tax paid by people that work in the industry, who would live in British Columbia's communities, and it's also land sales. Obviously, if the industry knows there is some gas there that they could access, but the royalty rates don't allow them to, they're not interested in buying that land. So in our processes where we actually auction the land for the ability to drill for those resources - it's an open bid process - I expect that there will be a fair amount more revenue coming from the sale of the right to drill in the province which, along with more wells being drilled, obviously produces more money.

[Return to Top](#)

[10:35]

Although we're reducing the royalties and giving some royalty credits for summer drilling, at the end of the day we will see a net increase in money to the province. I think it's expected to be in the neighbourhood of a \$250 million net increase in '04-05 and about the same amount in '05-06. Those are probably pretty average numbers.

Hon. B. Barisoff: I think one of the other areas, Richard, I just want you to touch on, though, is that I know during the summer months the service industry and a lot of the other industries up there actually end up going back over to Alberta to get rigs serviced, to do a lot of things. I guess what I want to know is the impact that it actually has locally on business. How many new businesses could be starting up just simply because of the fact that we're allowing the opportunity for the businesses to stay or the rigs to stay in the northeast during the summer months? What impact will that have on general businesses in that whole area?

Hon. R. Neufeld: Sure. Two responses to that. The tax changes that the Ministry of Finance made, which were to all industries, to the oil and gas industries – the removal of the 7 percent sales tax, the reduction in corporate tax and corporate capital tax – actually have encouraged the drilling industry to leave their rigs in British Columbia in the springtime and in the summer. Instead of moving them to Alberta, doing their repairs and then bringing them back, which they found cheaper before, they now do that work in British Columbia – especially for the rigs that would stay and drill for the summertime. So that's a huge benefit.

Secondly, what the service sector finds – and that's what we're trying to do with the service sector strategy – is that there's so much activity in the wintertime that they can't afford to have a stable of equipment and the manpower needed to provide that service in just a short three or four months. If we can stretch that out over the year a little bit more, those industries can actually expand, because they can only afford to buy so much equipment if you're only going to work it three or four months. So if they could buy more equipment and be assured that they're going to have work year-round, it would obviously increase the investment in British Columbia through that service sector strategy and in turn provide well-paying jobs - because these are well-paying jobs – in the province. Those people, hopefully, will live in communities in the northeast. That's what we're talking about right now. But also, in time, they will live closer to where the Bowser basin is in the northwest and the Nechako basin, which we want to develop also

and which these royalty regimes will recognize.

Hon. B. Barisoff: Premier, just to close, I want to say that I know my staff see some huge benefits to this for the northeast, for the revenue side of it, for taxes. But people will stay there, and the benefits that we'll get from it are huge.

Hon. R. Neufeld: Yes. In fact, your ministry is part of this. In fact, some of the money that will be generated out of this will go to your ministry to help us administer the new royalties and to collect them and make sure we're collecting them properly.

Hon. G. Campbell: I mean, you were quite specific there about what we're anticipating. I think it's worthwhile, in terms of this, to sort of highlight not just today, but I think that should be part of what you bring back next year. So we see, you know: did we generate these additional revenues? What has happened in terms of additional service opportunities? What has happened in terms of the actual drilling season, etc.? I think it's right to try and do this, but let's have some real measures that we can come back with and not say: "Yeah, it seems to be better." Right? So let's actually have some real measures we can have on that.

Hon. R. Neufeld: Yes, Premier, and that's a very good point. In fact, Treasury Board was adamant on the fact that there has to be a check and balance here, and that through the ministry we actually can come forward with the results as we move forward with targets and goals so we can demonstrate that what we're doing is the right thing. Or if there's something we have to change, we should be able to tweak it so we can change it, so we actually reach those goals.

Hon. G. Campbell: And the other thing is – just to follow up on Bill's line of questioning there – that a lot of this will generate additional revenues, because we're not getting revenues from those shallow, low-productivity wells or from the deep wells. I mean, they're not going there. So we'll get something as opposed to nothing, which hopefully will be an increase as well. Isn't that correct? Is that what you're anticipating?

[10:40]

Hon. R. Neufeld: That's absolutely correct; that's what we're anticipating. The industry has a good idea of what's there on the western sedimentary base, and that is in northeast British Columbia. Because the royalty rates are too high, they're not going after that resource.

Secondly, what we find is that wells, when they are drilling and producing, obviously

over time deplete. When they get to a certain level where the royalty rates are too high and the costs are too much to operate the well, they just shut it in, although that well could still produce at a lower rate for quite a number of years into the future, and government would actually receive a royalty rate instead of nothing. So that's part of what we want to do too, so that's entirely correct, Premier.

Hon. G. Campbell: Joyce and then Kevin.

Hon. J. Murray: I want to ask you about environmental protection, particularly around monitoring and compliance. This is an important industry. I think it's very important that you have a strategy to make sure that our government's goal of increasing oil and gas development happens - and the royalties and jobs that come with that.

At the same time, I know there are some concerns about compliance in that industry today, both through the Forest Practices Board in terms of potential erosion and damage to streams from pipelines and also the Oil and Gas Commission with respect to some of the water and sewer compliance by industry.

As we ramp this up, as we have more activity, we're going to have more potential environmental consequences. In your regulation section – I know this presentation was the highlights – have you considered how we can strengthen our monitoring and our compliance? You know, I'm certainly not talking about regulations to restrict things or to micromanage or to be prescriptive. But have you identified what might be needed to improve our compliance rates in that industry, particularly as the growth and development accelerates?

Hon. R. Neufeld: Sure. That's a good question, Joyce.

The compliance rate for the industry is very high. They score high, although there was a report that came in last year that demonstrated in some areas they weren't reaching the goals that we anticipated they should. We should remember that some of the non-compliance – and I'll not say that they didn't make some mistakes – was for simple things like not carrying a permit in the truck for going and getting a load of water. That's a strike against industry, but it's not that it affected the actual environment.

They did have some things that they had to address in a compliance review, and through this and actually increasing the drilling – because we expect over 900 wells to be drilled this year and that to increase substantially into the future – there will be a need for the Oil and Gas Commission to beef up its regulation and to work closer with industry on compliance. Industry is well aware that they have to work closer on their

compliance so that we score very high all the time.

There will be moneys made available so that we can move forward and make sure that we have the people and the correct environmental protection in place.

Hon. J. Murray: So that's in the strategy?

Hon. R. Neufeld: It's in the strategy.

Hon. G. Campbell: Kevin.

Hon. K. Falcon: Thank you, Premier. Just two comments. One is on the targeted royalties, Richard. That's absolutely the right way to go, and I'll look forward to seeing what kind of results we get out of that.

I do want to talk briefly about regulation, because I think that is an area where we've seen, at least through third-party endorsements... The National Post has run several articles about the industry stating that the regulatory climate and the changes you've made thus far, in terms of trying to streamline unnecessary red tape while still protecting the environmental concerns and values that we have, have been extraordinarily well-received.

To give you a real-life example, Premier, of what that means. For example, when we first started looking into this, Dick, I remember that one of the companies, Anadarko, came to us and gave the example of how with the pipeline rights-of-way – at which you cut down some trees to allow for the pipeline right-of-way – we had four different ministries or agencies of government having four different standards that the oil and gas companies had to adhere to. You had the Ministry of Forests with one standard; you had Water, Land and Air Protection with another standard; you had the Oil and Gas Commission with another standard, and then WCB with another standard. All of them had different fines and penalties for not adhering to their respective standards.

The decision that the oil and gas companies made was: who had the largest fine? That was how they determined which right-of-way width they would use. That makes absolutely no sense.

[10:45]

I'm encouraged by what I heard Minister Murray say to you, because one thing that we do need to do is have a clear, easily understood regulatory regime that is streamlined

and efficient and yet goes to protecting the important values that we have - the environmental values - so that there are clear standards, easily understood, with tough penalties. I know that as part of your regulatory review, that's what we'll be going through, just as we did with the Minister of Forests.

I really am encouraged by that, because I think that at the end of the day, we will have the best environmental outcomes coupled with the most efficient and effective regulatory regime, which will encourage more oil and gas exploration. I think you're going in the right direction, and I salute you for that.

Hon. R. Neufeld: Well, thank you, Kevin. Yes, as I stressed during my remarks, we want to make sure that we respect the environment but still allow the industry to move forward and do the work that's necessary. The regulations that you refer to are not what we would call "smart regulations," so we want to get to the smart regulations that actually protect the environment.

Hon. G. Campbell: Okay, so we have a recommendation for moving forward to a partnership on the SYD road, royalty reform, regulatory reform and service sector enhancement. Any further questions?

Okay, so those are approved. We can look forward to those, Dick, but you will come back with some specific measures on how we're testing that we've done that.

Hon. R. Neufeld: I will do that.

Hon. G. Campbell: Good. Thanks.

The next item on the agenda is the health update. Sindi.

For Information: Health Update

Hon. S. Hawkins: Thank you, Premier.

I want to update cabinet on two programs that we've been working on to improve access to health services and patient care in the heartlands. The first one is a new rural placement program that's been designed to place teams of health students in rural and remote areas. I think we all understand how difficult it is for communities to recruit in the heartlands, to attract health professionals. Certainly, we've heard that over the years as we've held our dialogues on health, as we travel through the communities in the heartlands and from our caucus colleagues who tell us that.

That's why we have made it a priority to introduce health care students in those rural and remote areas. We've acted on that priority in the past couple of years by increasing the number of nursing student spaces in the heartlands, by keeping our commitment to increase the number of medical students trained in B.C. and by actually locating a new training facility for medical students at the University of Northern B.C.

I think we all know that health care students need practical clinical training experiences, and you probably won't be surprised to learn that most of the training experiences are offered in larger urban areas. In the past there has been little focus given to developing opportunities for health care students to get their experiences in the heartlands, and we're changing that. We think it's really important to develop programs that help address that gap in learning opportunities for students who want to experience working in the heartlands.

We've decided to make grants available as an incentive for students to take up those learning opportunities in those areas. We did this because we know that students tend to decline those opportunities when they become available, because it does pose a hardship to them in the way of travel and accommodation costs. We really believe that our new interprovincial rural program of B.C. will benefit health care students and the residents in the heartlands. The program will assist students with those travel and living costs, and it'll help local residents, because they'll have more access to health services, and they'll also have access to potential recruits.

We've set up the program to provide students with an exceptional experience. We're going to send groups of students to remote communities as health care teams. The students in the program will learn together. They'll share clinical information and valuable experiences together. They'll learn the value of a team approach to health care delivery, and I think that's really significant, because we've learned that when health professionals actually work together to deliver safe, quality health care, patients do benefit.

Currently, health care students really do have limited opportunities to work together as a team with other health disciplines. The teams of students in this program could be made up of several different disciplines, such as nurses, doctors, pharmacists, physios, occupational therapists, social workers, speech pathologists and laboratory technologists. We'll be grouping the teams together. They'll work under the supervision and the mentorship of experienced health care professionals in those remote communities.

[Return to Top](#)

[10:50]

I think the program is really going to be helpful in helping those heartland communities recruit and retain health professionals, and it really is designed to improve access to important health care services for those patients in those communities. I think the students will be more aware of the challenges, the rewards and the opportunities in remote parts of our province. They really don't get a huge opportunity to learn that now. Over the next year we're going to pilot this program in three heartland communities. Bella Coola, Hazelton and Port McNeill have stepped forward, and our plan is to involve more communities over the coming year as we develop more clinical training sites.

As early as next week, we're going to be sending these teams of four or more students to those communities to start delivering health care to the local residents. The pilot program will run for 15 months at a cost of \$700,000, and that will come out of the Ministry of Health Planning. The program is a partnership with the health authorities, the post-secondary institutions, the rural communities and the B.C. Academic Health Council, which is a body that has been given the money to run the program.

I really do want to acknowledge all the partners for their commitment and the hours spent in putting this program together. That includes UBC; BCIT; the B.C. Allied Health Professions Council; our staff both in the Ministry of Health Planning and in Shirley's ministry, the Ministry of Advanced Education; and, of course, the health authorities, which are really embracing this. Also a special thank-you to the three communities and the three hospitals that are involved: the Bella Coola General Hospital, the Wrinch Memorial Hospital in Hazelton, and the Port McNeill and District Hospital. They have really supported and embraced this project, so that's good news for those rural areas.

The second thing I want to talk about is the progress...

Hon. G. Campbell: I'll stop you there.

Any questions around that from anybody?

Hon. S. Hawkins: Any questions about that?

Hon. G. Campbell: Linda.

Hon. L. Reid: Thanks, Premier.

Sindi, the individuals you mentioned – and you mentioned specifically speech language therapists... Some of those team members, once they graduate, will be eligible for the tuition reimbursement model. Will that include speech therapists?

Hon. S. Hawkins: I think Shirley is working on that program. Right now we're considering a whole bunch of areas we might add on to that. I think we've just added midwives and added LPNs, but I don't think that's on the list for the loan forgiveness program. Shirley is listening, and we will look at that as well.

Hon. L. Reid: Certainly, if I can add to future consideration for that area, there are currently nine vacancies in the north for speech language pathologists, and if we can fold that into the planning process, I would welcome that.

Hon. S. Hawkins: Okay, it's noted.

Hon. G. Campbell: Yes? Okay.

Go ahead, Sindi.

Hon. S. Hawkins: Okay.

The second part I want to talk about is the progress we're making in our chronic disease management programs. You should know that one in four people in our province lives with a chronic disease. That roughly makes up 575,000 people who suffer from a chronic disease such as diabetes, chronic heart failure, kidney failure, depression, asthma, hypertension, lung disease and arthritis. For the most part, it's the family doctors that are on the front line for these patients.

About 60 percent of the patients they see in their offices are there because of at least one chronic disease, and about half of those patients have at least one other or more chronic diseases. I guess the sad part is that we're not doing a very good job in helping these patients manage their chronic disease conditions, and I think that's largely, in part, the way our health care system has been set up historically. It has been set up primarily to manage patients with acute care conditions.

In our current health care system, the care of a person with a chronic disease is managed as a series of acute care events. Historically, then, these patients have been seen on a sporadic basis, with often very little attention given to a disease management plan, or they're seen when they run into serious problems that require more costly acute

care treatment. As a result of this lack of appropriate management of care for these patients, the ultimate cost, obviously, for chronic disease care has been pushed further and further into the future, year after year.

I guess with the baby-boomers pushing into their fifties and entering those chronic disease years – I guess I have another ten years to look forward to that – and with the increasing...

Interjections.

Hon. S. Hawkins: I just wanted to say I'm not pushing my fifties yet.

Interjections.

Hon. S. Hawkins: Yeah, that's right. We are all... [Laughter.] Is that relevant? I don't know.

Certainly, with the baby-boomers pushing into those chronic disease years and with the increased demand of an aging population, new drugs, technologies, I think we all know we have to find ways to deliver more appropriate, more cost-effective, more beneficial care to help patients with chronic disease conditions. We need them to stay healthier, and we need them to stay away from those complications that do land them in costly acute care.

[10:55]

You should know that out of the \$10.7 billion we now spend on health care in B.C., we estimate that about 70 to 85 percent of those dollars are spent on treating patients with chronic diseases. About 10 percent of these patients with a chronic disease use 50 percent of our total health care resources. Those are pretty compelling statistics. We know we can do a better job of helping those patients with chronic disease conditions. Actually, we simply have to do a better job.

I'll give you an example. In 2001-02 there were 199,000 people in this province diagnosed with diabetes. That's about 4 percent of our population. What's important to know is that diabetes is a disease that's, for the most part, entirely preventable. In fact, 58 percent of late onset diabetes, and that's the kind you get when you get older – so as the baby-boomers get older – can be stopped through diet change and exercise.

We need to work with our health care providers to find ways to manage chronic disease

patients in a way that gives them the information, the health resources and the community supports they need to be healthy and remain healthy. We need to work with health care providers to provide them with the resources and information they need to manage their patients with chronic diseases. Both the Ministries of Health are working in partnership with industry, with health care providers, with our health authorities and with advocacy groups to develop strategies for the best care possible for chronic disease patients.

We've already been successful in developing a number of tools that are available right now. Those tools include patient registries, website resources, patient surveys and evidence-based clinical guidelines for managing chronic disease. We're starting to set the direction for that positive change, and we're guiding that change towards better care for these patients. We certainly recognize that this change really has to happen on the front line by the people that deliver those health services, and it has to start with empowering chronic disease patients with the knowledge they need to make sure that they remain healthy.

That's why today I am announcing \$2.8 million that we're going to invest in four provincial development initiatives aimed at improving care for patients with chronic diseases. I think these initiatives are critical to our commitment of ensuring safe, effective, quality health services for patients across the province.

The first one is a program that's going to support the development of a physician self-evaluation tool for chronic care delivery. Our medical research shows that the majority of doctors believe that they're providing better care than what is actually the case. Research also tells us that training doctors in how to measure their own performance on an ongoing basis really does assist them to make the kinds of necessary adjustments they need to make in their practice so that they can improve patient outcomes. So \$800,000 has been granted to the B.C. College of Physicians and Surgeons to develop a self-assessment tool so doctors can evaluate the care they provide to patients with chronic diseases.

The second initiative involves teaching self-management to patients. As I said, we know we have to involve patients and empower them to take some control over their health and how they manage their chronic diseases. We can do this by having them become more involved in their own care. That way, obviously, they stay healthier and hopefully have fewer complications and fewer costly acute care admissions. We recognize that physicians need to know how to better support and coach their patients to take responsibility for their health and that coaching patients' self-management really hasn't traditionally been a part of physician training. It has in other disciplines, but not

traditionally in medicine. So \$600,000 has been granted to the College of Family Physicians to provide training and support for patients' self-management coaching based on a program that's been tried and found to be successful in Australia.

The third program involves the B.C. Medical Association and a diabetes management strategy. We have granted \$800,000 to the BCMA to work with physicians, health authorities and clinical leaders to redesign the way a doctor practises so that the result is better care for patients with diabetes. We're asking the BCMA and the health authorities to identify the need for better treatment of diabetes in areas of the province where the performance gap is the greatest and to begin to assist doctors there first. We have found that the majority of those areas are in the heartlands.

[Return to Top](#)

[11:00]

The last initiative involves UBC and continuing medical education – CME – and the learning about information technology. We know, and I think we all recognize, how critical dependable and timely information is to making safe, effective, quality health care decisions for patients. A \$600,000 grant has been provided so that UBC can design and deliver courses on how doctors can best use health information to improve their clinical practice and, in turn, improve patient outcomes. UBC is going to link all four of these initiatives through their communications network, and they'll provide on-line learning for all four of these initiatives. This is a huge step.

I have to say, Premier, that we're leading the country on the steps we're taking to develop partnerships and collaborative strategies that focus on improving health care for patients with chronic diseases. Just last week I opened a two-day collaborative workshop on congestive heart failure, where we had over 100 participants – physicians and other disciplines from across the province – who are looking at ways and using best practices and evidence to change their practices to make sure they provide better care for their chronic disease-congestive heart failure patients. That's a first in Canada, so we're pretty proud to launch that. It's a partnership with AstraZeneca, Pfizer, Healthy Heart Society and our health authorities. The people there came from as far as Kitimat, Smithers, Masset. They're very excited about this, and so are we.

I know, and I think we should all know, that health care providers really do want to do the best for the people under their care, and we expect the morale of patients, doctors and health care professionals to improve as patient care improves. We also expect to realize some cost reductions, because better patient management will reduce the rate

of complications and acute care admissions. Of course, the savings, as you know, will be put right back into the health care system for patients.

In closing, I do want to say that we're committed to, and we're going to continue to work on, improving quality of patient care and providing the front line with the support they need to provide better care to their patients. I think all of these initiatives speak to that commitment.

If there are any questions on those initiatives, I'd be happy to take them.

Hon. G. Campbell: I have one from Lynn and then one from me.

Hon. L. Stephens: I was mentioning this to Colin yesterday. My middle son has just been diagnosed with diabetes and spent the weekend in Royal Jubilee, and I have to give a plug to Royal Jubilee. The care was superb. They even have some designated parking spaces at the front of the hospital for diabetes education patients. I thought that was an excellent initiative.

I wanted to ask you to expand a little bit on the doctors' self-evaluation. Is this part of the primary care initiative? Is this going to be one of the components that the doctors will be asked to...?

Hon. S. Hawkins: Absolutely. This is part of our primary care initiative to make sure we are providing the tools to primary care providers to see how they provide care and how they can improve care.

Hon. L. Stephens: What about some of the hospitals? I know some of the emergency... I think it's St. Mary's that has a very good outpatient service for chronic disease patients. Are you going to think about expanding that to some of the other hospitals?

Hon. S. Hawkins: The health authorities are certainly working on primary care projects, and the chronic disease management programs are linked into the existing programs that are there. We're actually asking the health authorities to look at where they're doing well and where they've got good programs and to share them and the models with the rest of the province. Those are the kind of linkages and initiatives we are encouraging.

[11:05]

Hon. G. Campbell: My question, Sindi, is more about how we measure this, again. We

know, as the baby boom goes through, we're going to have increased demands. Do we have measures that are in place now? When you say that there are going to be cost reductions, are those really cost reductions, or is it a reduction in the growth of costs? When we say we're going to meet the needs of...

I think it's a great idea to do this, but what are the measures we're going to use to tell that we're improving on things? In other words, if we left things as they were with regard to wait-lists last year, I think, then we would have had about 15,000 fewer surgeries. That's one way of measuring. You can do it in absolute numbers or in percentage numbers or whatever. Do you know what the measures are that you're going to use? Have those been developed now, so we can tell if we're at least being effective with these investments?

Hon. S. Hawkins: Some of them are developed, Premier, and some of them are being developed. We have excellent data through PharmaNet and MSP so that we can actually measure how much we spent on diabetes, for example, in this province. It's an incredible amount. I think it's \$750 million. That's for visits to doctors and for the drugs they use.

We will be looking at those numbers to see how those dollars can be reduced as we roll out these programs and we actually get better care, fewer hospital admissions, fewer visits to doctors and perhaps less consumption in drugs needed. If we can change the way patients manage their diabetes through diet changes and exercise, perhaps they won't need the drugs. We will be looking at those kinds of measures, but you're absolutely right. We are going to be developing other measurements to track and see that we're on target in actually not only reducing costs but improving patient outcomes.

Hon. G. Campbell: It seems to me we should be looking, at least, at what we think growth trends will be today and see what the trend lines look like after we've put this in place. I think it's particularly helpful for the public to see what could happen and what the actions are doing and whether they have improved that or not. I hope you'll begin to do that.

Hon. S. Hawkins: We will be looking at establishing some trend lines.

Hon. G. Campbell: Okay. Any other questions?

Okay. Thanks, Sindi. Let's hope that works.

Gord.

For Information: Woodlands Apology

Hon. G. Hogg: Thank you, Premier. I have a statement to deliver to the people of British Columbia, and more specifically to former residents of Woodlands, Glendale, Tranquille and Endicott Centre and to their families.

The history of institutional care in British Columbia for developmentally disabled people goes back over 100 years. New Westminster's Woodlands was B.C.'s first institution for developmentally disabled people, opening its doors in 1878 as a provincial asylum for the insane.

In the 1930s the focus changed from simply housing people with disabilities to training and education. In 1950 the name of the institution was changed to Woodlands School in recognition of a growing emphasis on education and rehabilitation. Other institutions were set up around the province to provide similar services: Tranquille in Kamloops, Glendale in Victoria and Endicott Centre in Creston.

British Columbia, like most jurisdictions throughout North America, focused on institutional care as the model for helping persons with developmental disabilities. Many of the most vulnerable people were sent to these institutions because communities could not accommodate them. The reality of institutional life for some was that they did not receive the level of care and treatment they deserved. The institutional model, which we now recognize as flawed, created a depersonalized environment. This led to mistreatment of some unfortunate people.

It is important to recognize that some developmentally disabled people in British Columbia's institutions were mistreated. It is equally important to recognize that the majority of staff were caring, dedicated and committed individuals, trying to do their best despite difficult circumstances. Their commitment to providing humane and progressive care is to be commended.

It is also important and proper to acknowledge the harm suffered by some former residents of Woodlands and other institutions as a result of past policies and priorities. On behalf of the people of British Columbia, I offer this government's sincere apology to each former resident and their family who suffered harm as a result of time spent in institutional care in our province. The lessons of history must not be forgotten. This government is committed to ensuring that those with developmental disabilities who require assistance in their daily living are accorded the dignity and the respect which they did not always receive in the past.

[11:10]

Last year our government entered into a dialogue with former residents of Woodlands School and their families about their experiences in institutional care. This has been a difficult and a challenging time, and I want to personally thank all of those who took the time to meet with each other and set out concerns, both in written reports and in personal meetings with me. The involvement of former residents and their families is critical to understanding the errors of past approaches and to mapping the way to a more positive and constructive future.

As a result of those consultations, we have established a \$2 million B.C. Institutional Legacy Trust Fund to provide access to counselling services for former residents and their family members. The fund will also support the establishment and administration of personal support networks for former residents and the parents and immediate family members of former residents. The Victoria Foundation will administer the fund under the guidance of a trust advisory committee. The former residents and family members of Woodlands, of Glendale Lodge, of Tranquille Farm and of Endicott Centre, along with the advocate for service quality, will make up this committee.

We now recognize the detrimental impact of the institutional environment and the importance for all children to be raised with the support of their families and their communities. British Columbia is the first jurisdiction in Canada to move entirely away from the institutional model and towards supporting the family environment and small, community-based homes for the developmentally disabled.

It is our hope that all of those people who lived in institutions can now move forward and live with dignity in their communities.

Thank you, Premier.

Hon. G. Campbell: Thank you very much, Gord.

Any questions or comments?

We are now adjourned. Thank you very much.

The cabinet adjourned at 11:11 a.m.

