

Partnerships BC – Achieving the Competitive Edge for BC

Public Infrastructure for BC – An Overview

Building and maintaining high quality public infrastructure in every sector is of critical importance to all British Columbians.

In transportation, infrastructure enables efficient movement of goods and services, contributes to the development of regional economies and provides travel systems for commuters, tourists and commercial vehicles.

In the health sector, infrastructure is required to provide high quality health care to the residents and communities in BC. Increasing needs such as being able to serve the aging demographic and providing outpatient services while achieving efficiencies in health care delivery are critical to the health of the province.

In the natural resources sector, infrastructure provides conduits for energy and oil and gas pipelines to reach BC's export sources. Ports, highways, railways, and utility infrastructure provide the lifeline for both the inputs and outputs of the resource sector clear across the province.

In education, infrastructure provides facilities to deliver training and learning programs that lead to a qualified workforce, and education infrastructure enables research and innovation across BC.

In the recreation and leisure sector, infrastructure provides training and competition venues for athletes, artists and leisure enthusiasts of all ages, and in water treatment, infrastructure contributes to providing safe and clean water for all British Columbians, while ensuring minimum impact on the environment for future generations.

By providing access, conduits and desirable facilities through infrastructure, BC is better able to open its doors to investment, imports and exports, and human and financial resources – making our province the best place to do business, to invest, to work and to live.

Barriers to Adequate Public Infrastructure Investment

Notwithstanding the critical importance and priority placed on developing and maintaining infrastructure, the Province of BC is faced with some barriers to delivering that infrastructure. Fiscal pressures, both in the present and in the past, have both deferred investment and maintenance, resulting in a gap

between current infrastructure levels and those required both now and in the future.

The management of provincial debt is a priority for the Province – finding ways to fund major projects is therefore a challenge. In addition, the booming residential and non-residential construction industry is adding to the ongoing shortage of skilled labour and sky-rocketing construction inflation costs. Finally, the multiple levels of government involved in most infrastructure development – municipal, regional, provincial and federal – can create a barrier to efficient, effective decision-making and delivery.

Finding innovative ways to mitigate these barriers will likely result in a more competitive BC overall.

While not a panacea for all infrastructure developments, public private partnerships are one way of achieving this goal of increased competitiveness through innovative structures to deliver much-needed infrastructure.

Partnerships British Columbia – An Overview

Partnerships British Columbia (Partnerships BC) structures and implements partnership solutions to serve the public interest. The company is committed to transparent operations and achieving wide recognition for its innovation, leadership and expertise in public procurement. Involving the private sector provides public agencies with the opportunity to develop public infrastructure or facilities, such as highways, bridges and health care facilities by either lowering overall project costs or by adding additional benefits. Further, infrastructure partnerships enable public sector agencies such as post-secondary institutions or health authorities to concentrate more on service delivery rather than on procurement management.

As a crown-owned company, Partnerships BC serves its shareholder - the Province of British Columbia (BC) - by working with public sector clients to achieving the following:

- determining whether an infrastructure need can best be met through a partnership with the private sector;
- developing business cases and procurement assessments;
- ensuring that a fair, open and transparent competitive selection process is undertaken to identify the best partner, and reach the best agreement, on behalf of taxpayers; and
- contributing to developing a pan-Canadian public private partnerships market.

Partnerships BC's corporate knowledge and experience in these areas is contributing to a national centre of expertise in the field of public private partnerships.

To date, Partnerships BC has reached financial close on nine projects, each of which has, or is about to, published a value for money disclosure report that outlines the expected value for taxpayers' dollars expected to be achieved over the life of the project. Furthermore, Partnerships BC has numerous projects under development in British Columbia and in other jurisdictions.

The connection between public private partnerships and competitiveness in the economy may not be obvious on first glance. However, the scale and focus of economic activity generated by public private partnerships has direct implications on the competitiveness of the BC economy.

A competitive economy is one that enables efficient flow of goods and services, supplies an able and skilled workforce in a timely manner, and has flexible market structures to enable innovative market solutions for a wide range of transactions. Moreover, the operating environment must be sufficiently attractive to retain, not only BC firms, but to encourage market entrants from outside the province. For example, an efficient regulatory environment helps to streamline market processes and attract interest from abroad. Increased participation in all BC markets has the benefit of raising the calibre of goods and services provision to international levels, thereby making BC firms better able to compete both at home and abroad.

In other jurisdictions such as Australia and the UK, the linkage between public private partnerships can be observed on two levels. At the macro-economic level, the use of public private partnerships as a model for infrastructure delivery has, in many cases, led to more projects being developed, particularly where the use of tolls or other revenue generating tools has been used. At the procurement level, particularly in the UK, the use of public private partnerships has resulted in a pronounced increase in the level of competitiveness in the local economy with bidders being drawn from outside the area and bringing with them expertise and capital.

The use of public private partnerships as a vehicle to provide public infrastructure assists in directly enhancing the competitiveness of the BC economy by:

- acting as an enabler to attract private sector expertise, investment and capital to BC projects;
- setting and monitoring higher performance-based standards for the provision and ongoing delivery of goods and services;
- and by providing infrastructure, competitive market processes, and better-managed infrastructure planning and delivery – with less risk for the taxpayer.

Each provincial public private partnership to date has contributed to BC's economy and is providing life-cycle savings for the taxpayers of our province. Economic spin-offs resulting from these projects include employment, local sub-contracts for supplies and materials, and international investment in BC. While public private partnerships are not a panacea, they do represent part of the solution to managing infrastructure challenges.

The Contribution to Competition – Partnerships BC and Public Private Partnerships

Partnerships BC works with, and on behalf of, ministries and agencies of the Province to find alternative financing for infrastructure delivery:

- while transferring risks such as schedule and cost overruns to the private sector, and enabling increased competition and innovation;
- letting government focus on delivery of quality public services and programs rather than on procurement; and
- reducing pressure on stretched local resources.

Partnerships BC is part of the solution to reducing barriers to infrastructure investment and delivery. The projects Partnerships BC have brought to the market to date include \$3.5 billion in investment, of which \$2 billion is from private capital. These projects are not only helping to close the infrastructure gap, but they are also helping to increase BC's profile in the international investment and business community. Partnerships BC is attracting qualified professionals, applying rigorous project management discipline, improving risk management, and providing business planning expertise. Moreover, the work of Partnerships BC has been working to ensure that clear, transparent, consistent and uniform procurement procedures are developed and followed. All of these factors lead to an increased competitive global and national environment in BC and across Canada.

Partnerships BC's Recommendations for Improving BC's Competitiveness

To further achieve a competitive environment in BC, Partnerships BC has some recommendations for consideration by the Competition Council.

Issue - There is a need to find better ways to leverage existing infrastructure assets. Given the pressure for new infrastructure, and the accompanying fiscal pressures, the Province should optimize the use of its asset base.

Tools to Achieve - Harness revenue potential for existing assets for potential reinvestment in capital pool, e.g. rental / lease arrangements on off-hours public space.

Issue - There is a need to look at alternative delivery models for developing new infrastructure that can introduce more efficient delivery and reduced risks to taxpayers.

Tools to Achieve - Continued and enhanced consideration of a wide variety of procurement and project delivery structures including public private partnerships.

Issue - Need for improving efficiencies in decision-making and making BC more business and investment-friendly. More collaboration across all levels of government is required.

Tools to Achieve - Establish mechanism to streamline decision-making on a regional basis, such as regional construction councils.

Issue - Inflationary pressures in the construction sector are adding risk to public infrastructure planning by introducing uncertainty over cost levels. Certainty needs to be improved around capital planning.

Tools to Achieve - Employ improved methodology for estimating capital costs by working more effectively with private sector assessment professionals.

Conclusion

In conclusion, increasing BC's competitiveness is a key driver to achieve a booming economy, a skilled and diverse workforce, and for BC to be the right place to live and work. Partnerships BC believes that by continuing to look at alternative structures and methods to attract private investment and streamline decision-making in infrastructure development, BC's competitive advantage will continue to grow.

There is an opportunity for BC to be a national leader in this not only in the application of public private partnership arrangements, but in leading the country in competitiveness.