

Public Private Partnerships: Focusing on the Nuts and Bolts of Successful PPPs
The Honourable Colin Hansen, Minister of Health Services
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Check Against Delivery

I want to start by stating that this government is fully committed to public-private partnerships in British Columbia. We believe that arrangements such as these often make sense, and can provide expertise and capital beyond what we as governments can do alone.

When we took office, we promised a new era of innovation and creativity in delivering public infrastructure and services in BC. We wanted to focus on service delivery, accountability, sound fiscal and risk management, value for money, competition and transparency. We wanted to implement more efficient and effective approaches to how services and infrastructure are provided in support of health care, education transportation and other priority programs.

Public-private partnerships encourage innovation and creative thought while allowing us to address service and fiscal challenges. We are committed to building a strong infrastructure in British Columbia and believe that one way to infuse the system with expertise and capital is to pursue these partnerships. We have studied the examples set by other governments and learned that we can benefit from the private sector's expertise and bring about more efficient and effective delivery of services.

There is no question that excellent synergy can be forged between the public and private sectors, recognizing and drawing upon the expertise and legitimate objectives of both parties. They present an opportunity to maintain and build on our vital infrastructure and by so doing, stimulate further economic growth.

P3s also allow us to manage the risks associated with providing infrastructure. Whatever delivery method we choose to build a particular project, we need to ensure it is properly evaluated so that we receive the best value possible for our investment. We do not engage in partnerships just because it is a 'buzzword'. We engage in partnerships because each party, working together, can achieve more than either could alone.

Public and private - not either or - but both together.

A successful public-private partnership has to show how private sector participation contributes to the good of the public. If we cannot show benefits to the public good resulting from private sector participation, then the partnership is not destined for success. To show the benefits then, we need the ability to effectively and logically evaluate P3 opportunities. An evaluation of this type requires a framework that sets new standards for the way we plan and manage capital assets. And so we developed the Capital Asset Management Framework.

This framework encourages all provincial agencies to apply fresh solutions to infrastructure challenges. The way previous governments financed and operated capital assets wasn't efficient or effective. The framework provides checks and balances to ensure accountability and effective management of risk through all phases of capital projects regardless of who finances, builds, owns or operates the asset. It encourages public and private agencies to be creative and look beyond old-fashioned approaches to managing capital assets. A copy of the Capital Asset Management Framework can be viewed at <http://www.fin.gov.bc.ca/tbs.htm> .

While the framework opens the door to public-private partnerships, it is Partnerships BC which assists business in accessing and retaining contracts. We created Partnerships BC in an effort to promote public-private partnerships, involving the private sector in the development of infrastructure and other services that the province of BC currently provides or that in the future we hope will be provided 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 - many very successfully, some less so. 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, models that had worked well and models that hadn't worked quite as well. We believe we've reached a model that will ensure we have very successful P3s that deliver better service to the public in a more cost-effective and timely way, with less risk to the taxpayers of BC.

Partnerships BC, which functions as government's centre for P3s and alternative service delivery, has a strong mandate to promote, enable and help implement P3 projects. It has the knowledge and expertise to provide advice to government with regard to proposed P3s, deal structuring and related policy issues. It provides a two-way street - the private sector can present proposals and the government can in turn consult with the private sector regarding P3 issues. By giving BC's public sector agencies a concrete policy framework, and by supporting them in considering a wider spectrum of possible infrastructure solutions, Partnerships BC ensures P3s are actively pursued when they represent the optimal solution.

It is important to remember that a public-private partnership does not mean that political responsibility has been passed along to the private sector. Quite the opposite is true: engaging in these partnerships often makes the political accountability more important, because government still has to answer to the public.

We want businesses to contribute to providing innovative, efficient cost-effective service delivery and help restore sound fiscal management in BC. Right now, government typically takes all the risks. We'd like to make sure that the risk is shared with the private sector because the private sector takes some risks better than the government - the risk of constructing and building for example. 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 where the party that is best able to take the risk does so. The increased competition that is part of the P3 process can foster greater creativity, greater innovation, broader options and more cost efficiencies. We intend to approach infrastructure projects in a planned, thoughtful way - offering potential P3 partners a clear sense, early in the process, of what we're after.

Which brings us to my interest - that of health care, and how P3s can and will play a role in helping us to achieve our goal of a sustainable, patient-centred health care system.

The health care system is more resistant to change than any other sector, which is understandable given that for so long there was virtually no long-term planning being done. Traditionally British Columbians have accessed health care on an 'as-needed' basis, rather than considering it as a continuous and comprehensive plan for the healthiest living possible. There was amazing new technology such as digital imaging being developed, and yet for years we had almost no government investment in these high tech innovations. We had a shortage of doctors and nurses, and yet the government tried to cut costs by reducing the number of doctors and nurses trained or hired in BC. The previous government left us quite a legacy.

In 1985, the health care budget in BC was \$3.5 billion, multiply that three and one-half times and you get today's budget of \$10.7 billion. In 1985 \$3.5 billion represented 33% of the total budget.

Today \$10.7 billion represents more than 42% of the total budget. And yet, in 1985, the number of bed days patients spent in hospitals was twice what it is now. We needed to make changes to a system that was only managing the day-to-day rather than looking ahead to the future.

Seniors over the age of 90 are the fastest growing age group in British Columbia. In the next 3-and-a-half years the percentage of over 90 seniors will grow by 40-percent. Which is good news for everyone except the health and finance ministers, because the average cost of healthcare for someone over the age of 90 is more than \$20,000 each year. The impact this aging population will have on health care in the future is sobering.

For every 1000 working British Columbians today, there are 188 seniors. By the year 2030, for every 1000 working British Columbians, there will be 433 seniors. In BC, just 5% of the population is responsible for 30% of health care expenditures. Our current management of chronic disease eats up somewhere between 70 and 85% of our health care resources. Imagine what we could do to improve British Columbians' health if we could free up some of that money?

Call it self-interest if you'd like, but I actually want a healthcare system that works for me when I'm a senior in the province of BC. The good news is that seniors are much healthier than they were 20 years ago. Twenty years from now when I am 70, I expect that I and my fellow baby boomers will be much healthier than the average 70-year-old is today. So the demographic is changing, we are facing a lot of challenges. All of us have had to take a leadership role, and make some tough decisions. But those tough decisions are beginning to pay off.

We envision a realistic and workable health care system that meets patients' needs right now, and will remain sustainable into the future. We need to be able to pay for that system, and one of the options is, of course, public-private partnerships.

Health care consumes a huge portion of our provincial budget. Every single hour, \$1.4 million is spent in British Columbia on providing health services. To achieve a sustainable public healthcare system, it is critical that we utilize the strengths of the private sector as well as the public sector. In British Columbia we already use partnerships with the private sector to deliver a number of services. Your family physician is effectively a private contractor who is paid by the government.

P3s are about providing better public health-care services by using the talent of the public and private sector. All medical services will be provided and funded publicly, just as they are now with medically necessary services covered by our Medical Services Plan.

I know P3s are controversial. You can't do an in-depth study as we did, without realizing that internationally there have been mistakes. But we have learned from those mistakes. And the concept of a public private partnership has given us an opportunity to finally move ahead on some programs that we have had to delay for a long period of time.

The need for a new hospital in Abbotsford was identified as far back as 1986, but funding solutions could not be found. The last major renovation to that hospital occurred in 1980. Since then, the population of Abbotsford has increased 2.5 times. So we are really pleased that a public-private partnership will finally give Abbotsford a state-of-the-art 300-bed replacement for the aging MSA acute care hospital.

The Abbotsford Hospital and Cancer Centre will provide enhanced and specialized health services to more than 150,000 people in the greater Abbotsford area, and up to 330,000 in the Fraser Valley region. The 55,000 square metre facility will be three times the size of the current MSA hospital.

The planning of this venture has required innovation and imagination on behalf of the health authority. Private sector proponents were asked to submit proposals to finance, design, build, maintain and operate facility services for the new hospital. As with all BC hospitals, clinical services will be provided within the universal publicly funded healthcare system.

The Abbotsford Hospital and Cancer centre project has short-listed four bidders in a move to the next stage in the process towards a new hospital and cancer centre. The four consortium bidders are:

- Access Health Abbotsford
- Fraser Valley Health Partnership
- The Healthcare Infrastructure Company of Canada
- Vancouver Health Care Group

I look forward to the day in 2007 when the representative of one of these groups is standing beside Premier Campbell when he cuts the ribbon to open this hospital. The REOI, the Request for Expression of Interest, closed April 7, 2003 - so we are well on our way to making this dream a reality.

The critical component of any health-care system is meeting the needs of patients first. And with this hospital we will certainly be better serving the needs of the people who live in the Fraser Valley.

Another public-private partnership that is in the planning stages is the Academic Ambulatory Care Centre at VGH. The Vancouver Coastal Health Authority will enter into a public-private partnership to build an innovative new care centre that will improve patient services, while enhancing training for medical students. This is the province's first P3 project involving the construction and operation of a large, integrated health care facility. The centre is expected to support several hundred medical students, over 580 medical and allied professionals, and an estimated 600,000 patient visits annually. The P3 includes UBC's Faculty of Medicine, as well as the Ministry of Health Services and Partnerships British Columbia. It is anticipated that the successful private-sector partner will assume responsibility for the financing, design, construction and operation of the building, while the VCHA and the UBC Faculty of Medicine will ensure that services within the centre provide appropriate teaching and clinical services.

Of course, there are other projects we are already working on, taken through the initial planning stages or considering for the future - Partnerships BC is already doing a business case assessment on the Providence Healthcare St. Paul's proposal; the Coquihalla Highway Project; the Rapid Transit Line; and with the help of BC Housing, Independent Living BC, which is based on a public-private partnership between BC Housing, the five regional Health Authorities, the private sector, community-based groups and local government. That initiative has already had 360 rent supplement units in the private rental market awarded.

We have the opportunity to do it right in BC, but we can't forget that there will be challenges. We all know that P3s are controversial, but our government is committed to setting these arrangements in place where they make sense.

We have built up some high expectations about what P3s can do and it is important to remember that they are not a panacea, and they are not appropriate in every case. It is doubtful that more than 10 or 20% of all of the capital projects that the government does would be P3s. Yet we are eager to continue to undertake both traditionally funded and P3 infrastructure projects where they make sense and are in the public interest. The Capital Asset Management Framework was a key step toward ensuring only the best course of action is taken to build and deliver the necessary services, and it, along with Partnerships British Columbia will continue to help agencies come to the P3 table with creative, efficient, effective solutions.

The delivery of projects through P3s gives us all an opportunity to maximize the interaction and co-operation between the public and private sectors. There will continue to be opportunities that allow the private sector to contribute their innovation and expertise to the building of a stronger, more vibrant BC. I encourage you to keep adapting, keep innovating and keep improving and winning for British Columbia.