

Form for Cabinet Decision Document

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**MINISTER:**

The Honourable Gary Collins, Minister of Finance

**IDENTIFIER NUMBER:**

*Assigned to the Ministry by Cabinet Operations (after receipt of the penultimate draft).*

**DATE:**

May 29, 2002

**TITLE:**

Capital Asset Management Framework and *Partnerships British Columbia*

**ISSUE:**

The Minister of Finance is seeking Cabinet approval to implement a new capital policy framework (*Capital Asset Management Framework*) and to establish an agency for the purpose of achieving the framework's public-private partnership (P3) and alternative service delivery (ASD) objectives.

**RECOMMENDATION:**

Implement the Capital Asset Management Framework and proceed with the establishment of *Partnerships British Columbia* dedicated to facilitating and implementing capital infrastructure projects through public-private partnerships and undertaking asset leveraging and strategic dispositions and other services deemed appropriate by the Minister of Finance.

## BACKGROUND:

### The Capital Asset Management Framework

Government has made strong commitments to sound fiscal management, public accountability and achieving value for taxpayers' dollars. Recognizing the budget pressures faced by many agencies and their on-going need for capital, government's objective of attaining a sustainable balanced budget, and the need for investment in essential public infrastructure, such as schools, hospitals and highways, the province must explore new ways of funding and managing capital assets.

A number of public reports in recent years have identified the need for a strong provincial policy framework within which to manage capital planning and expenditures.

- In October 1996, The Task Force on Public-Private Partnerships released its report which called on government to develop policies, guidelines and procedures to guide the implementation of P3s;
- In 1999, the Auditor General of British Columbia<sup>1</sup> identified the need for more clearly defined roles and accountabilities, more rigorous options analysis, and improved risk management practices throughout the capital planning process.
- In 2000, Deloitte Consulting<sup>2</sup> undertook a similar review of provincial capital processes and recommended that the Province develop a single, integrated capital management framework, consistent with the best practices from other jurisdictions, to guide provincial capital planning and delivery.
- In 2001, the BC Fiscal Review Panel indicated that "unchecked capital spending can quickly increase debt levels, damaging credit ratings and fiscal credibility ... it is important that there be a rigorous capital approval process to limit overall capital spending to affordable levels and to ensure that capital spending decisions are based on good business cases that evaluate the costs and benefits of the projects."

The new capital policy framework effectively responds to these recommendations by incorporating best practices from other jurisdictions and creating an essential tool for effective capital planning and sound fiscal management (see Appendix 1: Capital Asset Management Framework, Overview).

The primary objectives of the framework are to:

- establish best practices in capital asset management across the public sector, and
- support public-sector agencies in finding innovative and efficient ways to meet their infrastructure needs, which includes consideration of public private partnership and alternative service delivery opportunities.

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<sup>1</sup> Fast Ferry Project: Governance and Risk Management (1999)

<sup>2</sup> Capital Management Process Review for the Government of British Columbia (2000)

The framework applies to all provincial agencies (e.g. ministries, health authorities, school districts, Crown corporations) and to the management of their capital assets. While not prescriptive, the framework articulates basic guidelines and principles, and establishes minimum standards which agencies are encouraged to meet or exceed.

The Framework requires public sector agencies to challenge service delivery assumptions and explore a full range of options for effectively and efficiently meeting public service needs prior to accessing provincial capital resources. For example, as a first step in capital planning, agencies are expected to consider if there is a way:

- to meet service delivery needs without new capital spending. (e.g., in some cases, it may be more cost-effective to purchase services than to build infrastructure);
- to better manage or utilize existing assets that could reduce the need for additional capital expenditures; and
- to share the cost and risk of capital acquisition with, for example, a private or non-profit sector partner.

The Framework employs a risk-based approach to oversight and approvals, where provincial oversight, approval and reporting requirements are proportional to the cost, complexity and level of risk associated with a specific capital project. The Framework's management approach reflects the concept of "earned independence" which enables agencies that have strong track records in managing their capital assets, greater independence and flexibility than those agencies which may pose a greater risk to the province. Specific approval, oversight and reporting requirements tailored for specific agencies are set out in decision letters or letters of expectations issued annually by the Chair of Treasury Board. In the case of Crown corporations, requirements would be detailed in the "shareholder's letters of expectations."

By adopting a risk-based management approach and introducing transparency to capital planning and related processes, the Capital Asset Management Framework streamlines capital approval processes and facilitates faster project delivery. In addition, the Framework also consolidates and streamlines a wide variety of capital related provincial policy documents (e.g. section 1.6 of the General Management Policy Summary, Capital Procurement Policy Guidelines, Alternative Procurement Implementation Guidelines).

The Capital Asset Management Framework is detailed in three integrated documents that will be updated and refined over time:

- A Framework Overview describing the objectives, principles and key elements of the framework and illustrating steps and approval points in the new streamlined capital process.
- A set of Guidelines, detailing the province's minimum standards, as well as policies and processes, for capital asset management.
- A Tool Kit, with technical guidelines, sample documents, templates, manuals, and other practical to support efficient, accountable capital management.

### **Partnerships British Columbia**

A key component of the Capital Asset Management Framework is the integration of P3/ASD into the mainstream of capital planning. The P3 policy experience from other jurisdictions including the United Kingdom, Ireland, Australia and elsewhere suggests that such policy initiatives benefit from having an organization with a strong mandate to promote, enable and help implement P3 projects.

In considering this fact, the Ministry of Finance retained the consulting team of KPMG / McCarthy Tétrault to provide independent advice with regard to establishing an organization in British Columbia to support government's P3/ASD objectives. The consulting team was asked to consider an organizational mandate, governance structure and business model for an agency to assist public sector agencies and the private sector in identifying and successfully implementing P3s.

KPMG consulted with key public and private stakeholders including Ministries, Crown Corporations, private investors and others. Stakeholders agreed there was the need for an organization that would:

- Function as government's centre for P3/ASD knowledge and expertise;
- Act as government's lead educator on P3/ASD and related processes and best practices;
- Develop standard documents and contract templates to facilitate deal-making and reduce transaction costs;
- Provide advice to government with regard to proposed P3s, deal structuring, and related policy issues; and
- Provide an entry point for the private sector to bring forward proposals, and an avenue through which government can consult the private sector on P3 and ASD related issues.

KPMG subsequently recommended that government establish a Company Act company reporting to a Board of Directors (appointed by government) and its shareholder, the Minister of Finance (see Appendix 2 for a more detailed mandate). The proposed name of the company is *Partnerships British Columbia*.

KPMG's rationale for a corporate structure is that it provides a "clean break" from past government capital initiatives; that it better positions the organization to compete for and retain qualified staff; and that it enables the organization greater flexibility to make decisions, secure advice, and to let contracts.

In order to initiate the organization, two small divisions within the Ministry of Finance will be collapsed and their resources re-deployed to the new entity. *Partnerships British Columbia* will be established by re-constituting the former (and inactive) Duke Developments Ltd., a wholly owned company of the province. Duke Developments Ltd.'s articles of incorporation will be re-drafted to designate the Minister of Finance as sole shareholder and the Deputy Minister of Finance the interim Chief Executive Officer and Chairman of the Board. Board appointments, and an executive search for a permanent CEO will commence after *Partnerships British Columbia* is constituted.

#### Links to Strategic Vision

In the February 12, 2002 Speech from the Throne, government promised to explore new cost-effective mechanisms for the provision of services and public private partnerships, and indicated that considerable effort would be focused on pioneering P3s.

The Provincial Government Strategic Plan 2002/03-2004/05 made the Ministry of Finance and the Premier's Office accountable for streamlining the capital approval process and sponsoring the use of public private partnerships.

The processes outlined in the Capital Asset Management Framework also support the Ministry of Finance's strategic shifts as outlined in the 2002/03-2004/05 Service Plan by:



1. focusing on major risks and opportunities;
2. shifting from a 'command and control' management approach to one based on accountability and performance measurement;
3. moving from a one-year planning horizon to a multi-year planning framework;
4. focusing on ministries, Crown corporations, and agencies moving to the larger government entity.

The principles upon which the Framework and the proposed organizational model are predicated support the service principles of government as identified in the Core Services Review — value, innovation and competition — and the New Era promise to manage public resources and tax-dollars in a responsible and accountable manner. The new framework and organization also support government's New Era commitment to deregulation by streamlining the capital approval process. A stated objective in the Ministry's 2002/03 – 2004/05 Service Plan is to increase accountability and performance in the management of capital infrastructure by encouraging P3s and alternative service delivery (ASD). One strategy identified to support this objective is the creation of a new organization to foster innovative service delivery solutions and private financing and delivery of infrastructure.

### Fostering Economic Growth

The new capital management framework and the encouragement of P3s/ASD will allow British Columbia to develop a world class capability that can be exported to other jurisdictions — especially North America where there is limited exposure to this type of infrastructure development. The proposed approach will attract private sector investment in the province's infrastructure while creating a "home grown" capacity.

### Time Sensitivity

The 2002-2003 Budget Speech committed to implementation of a new capital policy framework in 2002 and the Minister has publicly committed to introducing it this spring. In recognition that we are now at the beginning of the capital planning cycle, to effect changes for the 2003-2004 budget year, the framework must be implemented in the near term.

Coupling the constitution of *Partnerships British Columbia* with the implementation of the Framework signals the strength of government's commitment to P3, to both, its agencies and potential private sector investors. The earlier the organization can be up and running the greater likelihood that government will achieve its 2002-2003 P3 project objectives.

On May 30-31, 2002 the Canadian Council on Public Private Partnerships is holding its annual general meeting in Vancouver. The Minister of Finance is scheduled to speak at the event and would like to announce both, the implementation of the new Capital Asset Management Framework and the creation of *Partnerships British Columbia*.

## **FISCAL MANAGEMENT CONSIDERATIONS:**

There are no incremental costs associated with the implementation of the Capital Asset Management Framework. Its implementation however, could result in significant savings through better capital planning (e.g., fewer of the "wrong" capital projects implemented); improved capital management practices (e.g., improved project management, less deferred maintenance); and administrative efficiencies owing to the transparency of the capital planning and approval system.

There are no incremental costs associated with the establishment of *Partnerships British Columbia*. Two existing divisions within the Ministry of Finance (i.e., Capital Division and Business Partnerships) will be combined to form *Partnerships British Columbia*. The Capital Division's existing budget (\$3.35 million in 2002/03; \$2.1 million in 2003/04; and \$1.8 million in 2004/05) will be assigned to the new organization through a three year provincial contribution agreement. It is envisaged that over time, *Partnerships British Columbia* will recover its costs through fees for service or similar arrangements.

**OPTIONS:**

**I. Capital Asset Management Framework**

Option 1: Approve implementation of Capital Asset Management Framework.

Option 2: Do not approve.

**II. Partnerships British Columbia**

Option 1: Establish *Partnerships British Columbia*, a company reporting to its only shareholder, the Minister of Finance, dedicated to facilitating and implementing capital infrastructure projects through public-private partnerships, ASD, asset leveraging and strategic disposition projects.

Option 2: Do not approve.

**SIGNIFICANT IMPLICATIONS:**

**LEGISLATION REQUIRED:**

No new legislation or legislative amendments are required to implement the capital policy framework or to constitute *Partnerships British Columbia*.

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**CONSULTATIONS:**

The Capital Asset Management Framework has been reviewed by the large capital Ministries including: Health, Education, Advanced Education and Transportation, as well as the Ministry of Management Services, the Ministry of Competition, Science and Enterprise, the BC Buildings Corporation, and the Crown Agencies Secretariat. Their input has been incorporated where possible.

Some agencies (e.g., Commercial Crown corporations) may view elements of the Framework and its application as contrary to their independent governance relationship with government. To the extent that the Framework is simply an articulation of best practices for capital management, few of the Crowns will have difficulty meeting the standards. In addition, the specific application of the Framework can be detailed in the proposed "shareholder's letter of expectations."

While the Framework does contain elements, such as the process for solicited proposals, which have not yet achieved broad consensus (no jurisdiction has yet developed a proven process) in general, much interest in and support for the policy framework has been evident across the public and private sectors. It is intended that the Framework remain a "living document" and that it be continually updated and refined as required.

With respect to *Partnerships British Columbia*, KPMG/McCarthy Tetrault examined other jurisdictions with P3 experience and consulted extensively with key stakeholders from the Ministry of Finance, line Ministries, the Premier's office, health authorities, industry, and the investment community in preparation for their report.<sup>3</sup> Practical knowledge has been gained from consultation with Partnerships United Kingdom (which has lengthy P3 experience), Superbuild Ontario and subsequent discussions with the Ministry of Finance executive.

### Communications Issues

The idea of public-private partnerships has received considerable media attention in BC and across Canada in the past six months. A number of newspaper editorial boards have written in support of P3s and a recent poll in British Columbia reveals that 60 per cent of British Columbians generally think P3s are a good idea.<sup>4</sup>

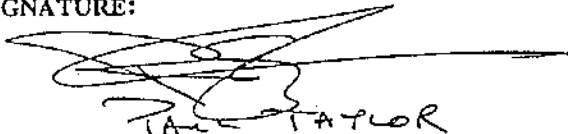
Negative reaction can be anticipated from labour organizations, particularly those associated with the health care industry. It should be noted that the Task Force on Public-Private Partnerships, appointed by the government in 1995, recommended that government "promote the timely introduction of public-private management and finance into areas of capital infrastructure investment traditionally undertaken by the public sector."

A draft communications plan is attached as Appendix 3.

### **RECOMMENDED DECISION:**

Implement the Capital Asset Management Framework and proceed with the establishment of *Partnerships British Columbia* dedicated to facilitating and implementing capital infrastructure projects through public-private partnerships and alternative service delivery methods; asset leveraging, and strategic disposition projects.

**SIGNATURE:**



**KEY CONTACT:**

Al Sakalauskas, Assistant Deputy Minister, Ministry of Finance

<sup>3</sup> Public Private Partnerships - An Organization and Governance Model

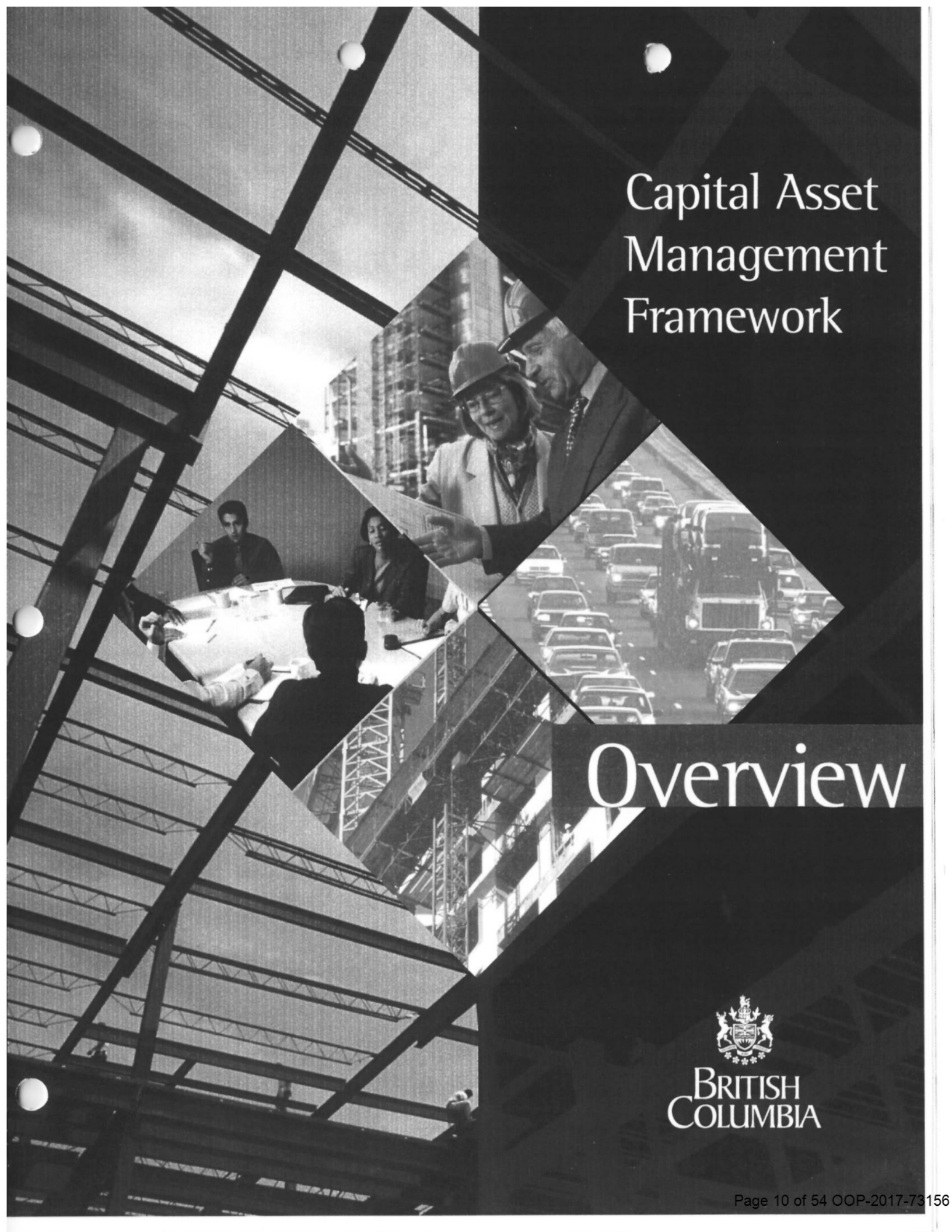
<sup>4</sup> Ipsos Reid, April 11, 2002

## APPENDICES TO SUBMISSIONS

1. Capital Asset Management Framework Overview
2. Partnerships British Columbia Mandate statement
3. Communications Strategy

## APPENDIX 1

### Capital Asset Management Framework Overview



# Capital Asset Management Framework

## Overview



# Introduction

The government of British Columbia has made strong commitments to sound fiscal management, public accountability and, above all, value for taxpayers' dollars. That means delivering effective public services that meet people's needs at a cost we can afford – a principle that underlies every part of government, including the management of capital assets.

Hospitals, schools, highways and other capital assets are essential to the delivery of government services, and to economic growth. And public-sector agencies have a key role to play in making sure these assets are acquired and managed in the most cost-effective manner possible.

Achieving this goal in today's world of rapid technological change, shifting demographics and fast-evolving economic realities calls for new ideas and approaches. Ministries, school districts, health authorities, Crown corporations and others leading capital projects and managing capital assets have a chance to think "outside the box" and apply fresh solutions to infrastructure challenges. Traditional procurement – where assets are purchased entirely with taxpayers' money or debt, and operated predominantly by the public sector – isn't always the most efficient and certainly isn't the only option that should be considered for meeting public needs.

To help public agencies find the best solutions and apply the best capital management practices, the government has developed a Capital Asset Management Framework, consisting of three integrated components:

- a Framework Overview (this document), describing the objectives, principles and key elements of the framework and setting out (in the Appendix) the Province's life-cycle approach to capital management and the steps and approval points in the new, streamlined capital process;
- a set of Guidelines, articulating the province's minimum standards, as well as policies and processes, for capital asset management; and
- a range of practical tools - such as technical guidelines, sample documents, templates and manuals - to be developed and refined over time to support efficient, accountable capital management.

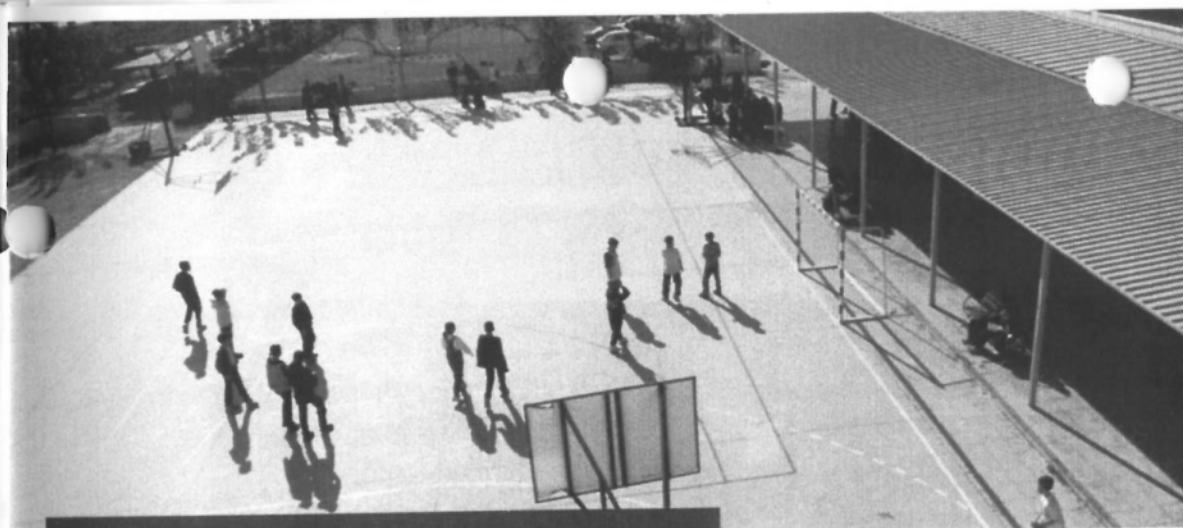
This framework sets a new standard for the way the Province plans and manages capital assets. It paves the way for a high-quality infrastructure system that meets people's needs and delivers on government's commitment to make the best possible use of every tax dollar.

**More information or copies of all framework documents, can be found at [www.fin.gov.bc.ca/tbs](http://www.fin.gov.bc.ca/tbs)**

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# The Framework

## Objectives

The key objectives of the Capital Asset Management Framework are:

1. To establish best practices in capital asset management across the public sector.
2. To support ministries, health authorities, school districts, Crown corporations and other public-sector agencies to think creatively and find the most efficient ways to meet British Columbia's infrastructure needs.

## Application

The framework applies to all provincial public-sector agencies (e.g. ministries, health authorities, school districts, Crown corporations), and to the management of all public capital assets, regardless of their dollar value or the way they're financed. Specific standards of compliance are set through Treasury Board decision letters or letters of expectations for individual agencies.

The framework is not prescriptive but sets out basic guidelines and principles, as well as minimum standards, which agencies are encouraged to exceed.

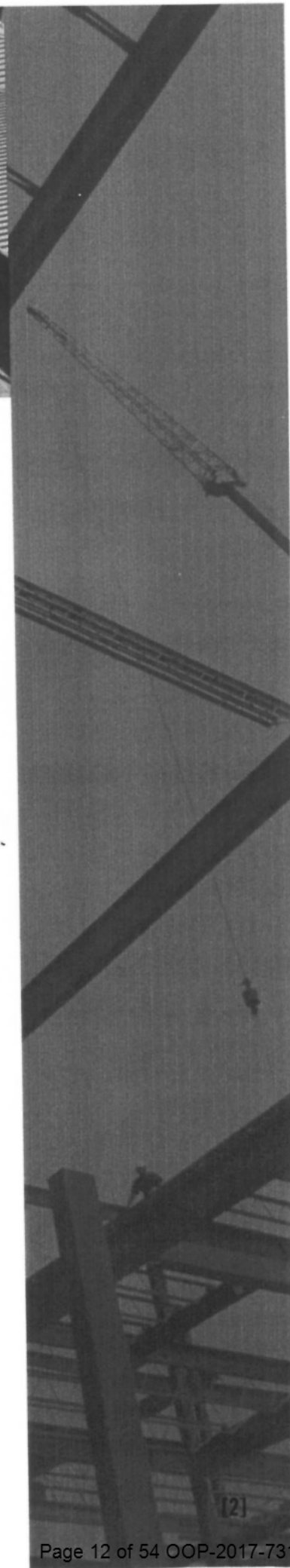
## Challenging Assumptions

The framework encourages agencies to be creative and look beyond traditional approaches to managing capital assets. Instead of doing "business as usual", they should explore a full range of options for meeting service delivery needs and make decisions based on what is best, rather than simply following past practices.

For example, as a first step in the capital process, agencies are expected to ask:

- Is there another way to meet our service delivery needs that could avoid new capital spending?
- Is there a way to better manage or use existing assets that could reduce the need for additional expenditures? and
- Is there a way to share the cost and risk of capital acquisition with, for example, a private sector partner or another public sector agency?

These are all viable alternatives to traditional, publicly-financed procurement. Traditional procurement is still an option. However, to ensure they get the best value for taxpayers' dollars, agencies need to consider as many options as may be feasible.





# Objectives: Guiding Principles Guidelines & Tools

# 1

To establish best practices in capital asset management across the public sector.

Each of the framework's objectives is supported by a set of principles, guidelines and tools, to give agencies clear direction and practical support in carrying out their capital mandates. The following outlines the key principles underlying each objective and discusses some of the key elements of the framework guidelines and tools.

## PRINCIPLE:

### Sound Fiscal & Risk Management

- Spending on capital assets will be managed within fiscal limits.
- Capital asset management decisions will be supported by rigorous business case analysis.
- Costs and risks (such as legal, environmental, health and safety, construction) will be identified, analyzed and managed throughout an asset's life-cycle which includes planning, acquisition, use, maintenance and disposal or renewal.
- Risks will be allocated to those parties best able to manage them at the least cost while serving the public interest. Those parties may be in the public, private or non-profit sector – or a combination of the three.

## GUIDELINES & TOOLS:

The framework supports consolidated capital planning – wherein all agencies' capital plans are "rolled up" into a single, provincial plan. This strengthens the Province's ability to assess and manage risks across government, allows trade-offs amongst government priorities, and supports the province to manage to a financial "bottom line".

The framework also offers guidance to agencies for developing rolling, multi-year capital asset management plans, based on their service plans – and reflecting the cost of managing assets through their full life-cycles. Specifically, it:

- identifies key issues that should be addressed in capital management plans, including forecasting, inventory information, project ranking, and budgeting and cost-control techniques;
- sets minimum standards for analytical due diligence (e.g. for developing business cases) to ensure that agencies plan for all potential costs, risks and benefits throughout an asset's life-cycle, including such things as maintenance;
- provides tools that agencies can use to identify, evaluate, allocate and manage risk systematically and effectively; and
- identifies a cross-section of risks specifically related to alternative procurement approaches (such as public-private partnerships) and offers guidance on transferring risk.

## PRINCIPLE:

### Strong Accountability in a Flexible and Streamlined Process

- Agencies will have freedom and flexibility to carry out their capital mandates with minimal intervention from the Province. At the same time, they will be held fully accountable for managing capital assets efficiently.
  - Capital processes will be flexible to:
    - accommodate differences in project complexities and agencies' experience in planning and management;
    - encourage agencies to innovate and consider a full range of options to best meet service delivery needs; and
    - respond to the many factors that affect service delivery needs, such as demographic shifts, emerging technologies and changes in the provincial economy.
  - The Province will use a risk-based approach to oversight. Degrees of rigour in approval requirements, monitoring, reporting and other checks and balances will increase in proportion to the cost, complexity and level of risk associated with capital projects or decisions.
  - Provincial oversight will also reflect the concept of "earned independence" – with oversight decreasing in proportion to an agency's ability to demonstrate effective capital management.
- All agencies will measure their performance and report results to the Province and the public.

## GUIDELINES & TOOLS:

The framework outlines the core capital responsibilities of government agencies and draws clear lines of accountability between those responsible for service delivery and those responsible for oversight. It also:

- articulates clear, streamlined budget and approval processes;
- offers guidance in measuring and assessing service and asset performance;
- explains the concept of risk-based due diligence, where the degree of analysis and management required increases in proportion to the project's cost, complexity and risk level; and
- establishes the concept of risk-based oversight, wherein the rigour of approval, monitoring and reporting requirements is proportional to a project's risk, cost and complexity – and to the agency's track record. This includes setting standards for variance-based reporting, wherein agencies report to the Province when a project varies from its original, approved plan and are held accountable for managing those variances.

## PRINCIPLE:

### Emphasis on Service Delivery

- Capital management decisions and practices will be based, first and foremost, on meeting service delivery needs (e.g. patient care, students' education) rather than on service delivery methods (e.g. public vs. private-sector funding or asset ownership).

## GUIDELINES & TOOLS:

The framework requires public sector agencies to challenge service delivery assumptions and explore a full range of options for effectively, efficiently meeting public needs. To support this kind of creative thinking, the framework provides a range of tools for identifying, assessing and implementing alternative service delivery and public-private partnership opportunities.

These opportunities could include:

- making more efficient use of existing assets to avoid the need for additional capital spending;
- entering joint-use or joint-venture arrangements with partners in the public, private or non-profit sectors (for example, sharing services or space with other public or private-sector agencies, thereby reducing the need for capital expansion);
- applying demand-management techniques to minimize the need for capital expansion; this could include, for example, encouraging the use of alternative approaches to dispute resolution in the justice system;
- out-sourcing services; or
- leveraging government assets (e.g. selling or leasing part of a property to offset the cost of new construction).

To support provincial public-sector agencies to think creatively and find the most efficient ways to meet British Columbia's infrastructure needs.

## PRINCIPLE:

### Value for Money

- Value for money will be determined through a rigorous examination of service delivery options and business case analysis, considering factors such as service levels, costs, promotion of growth and employment opportunities, and the protection of critical public interests.
- A key aspect of achieving value for money involves agencies demonstrating the most efficient use of resources to meet or exceed service delivery goals.
- Value for money will be enhanced through strategic use of public and private sector resources.

## GUIDELINES & TOOLS:

The framework does not assume that any one sector is inherently more efficient in building and operating public assets. Instead, it emphasizes that capital decisions will be based on a practical, project-specific assessment of a full range of options to determine which provides the best value for money while serving the public interest.

To support this assessment, the framework provides:

- an overview of a variety of alternative-service and public-private partnership and project-delivery models;
- criteria that can be used to help

identify suitable projects for alternative capital procurement;

- technical tools and methodologies, such as strategic options analysis and business case analysis, that agencies can use to examine the feasibility, cost-effectiveness and efficiency of various capital management options; and
- a discussion of various financing options and their implications for agencies' and the Province's balance sheet.

## PRINCIPLE:

### Protecting the Public Interest

- Safeguarding the public interest will be paramount in determining the best service delivery options.
- Public interest issues such as service effectiveness, health and safety, environmental protection, access, privacy, equity, transparency and security will be rigorously assessed in making capital decisions.

## GUIDELINES & TOOLS:

The framework offers guidelines and tools to help agencies assess public interest considerations and emphasizes that an agencies' primary mandate is to serve the public effectively.

## PRINCIPLE:

### Competition and Transparency

- Agencies procuring private sector services will use fair, open, competitive processes – consistent with government procurement policies.
- Agencies will disclose the details of competitive processes and their outcomes, while protecting proprietary and commercially confidential information.

## GUIDELINES & TOOLS:

The framework outlines standards for competitive, open, transparent procurement of capital-related services. Specifically, it:

- describes the government's policy approach to capital procurement, including objectives and principles;
- details best practices and steps to follow for both traditional (public sector) and alternative capital procurement; and
- offers criteria and processes for reviewing, assessing and, where appropriate, accepting unsolicited proposals from the private sector, without compromising government's commitment to open and competitive processes.

# Conclusion



To ensure the most effective and efficient public services;  
to realize the best value for taxpayers' dollars; to achieve

a sustainable, balanced provincial budget; and,  
at the same time, to maintain hospitals, schools,  
highways and other essential infrastructure,  
British Columbia must explore new ways of  
funding and managing capital assets.

Recognizing this practical and economic imperative, the government has developed a Capital Asset Management Framework with two key objectives:

- to establish best practices in capital asset management across the public sector; and
- to support provincial public-sector agencies to think creatively and find the most efficient ways to meet British Columbia's infrastructure needs.

The framework promotes alternative service delivery options, including public-private partnerships, and provides checks and balances to ensure accountability and effective management of risk through all phases of capital projects. It also underlines agencies' inherent responsibilities to meet public service delivery needs and serve the public interest.

Ultimately, the framework will ensure that taxpayers get the maximum value for their capital dollars – both in terms of maintaining modern, affordable infrastructure, and through the effective delivery of services.



# Appendix: The Capital Process

## Life-Cycle Orientation

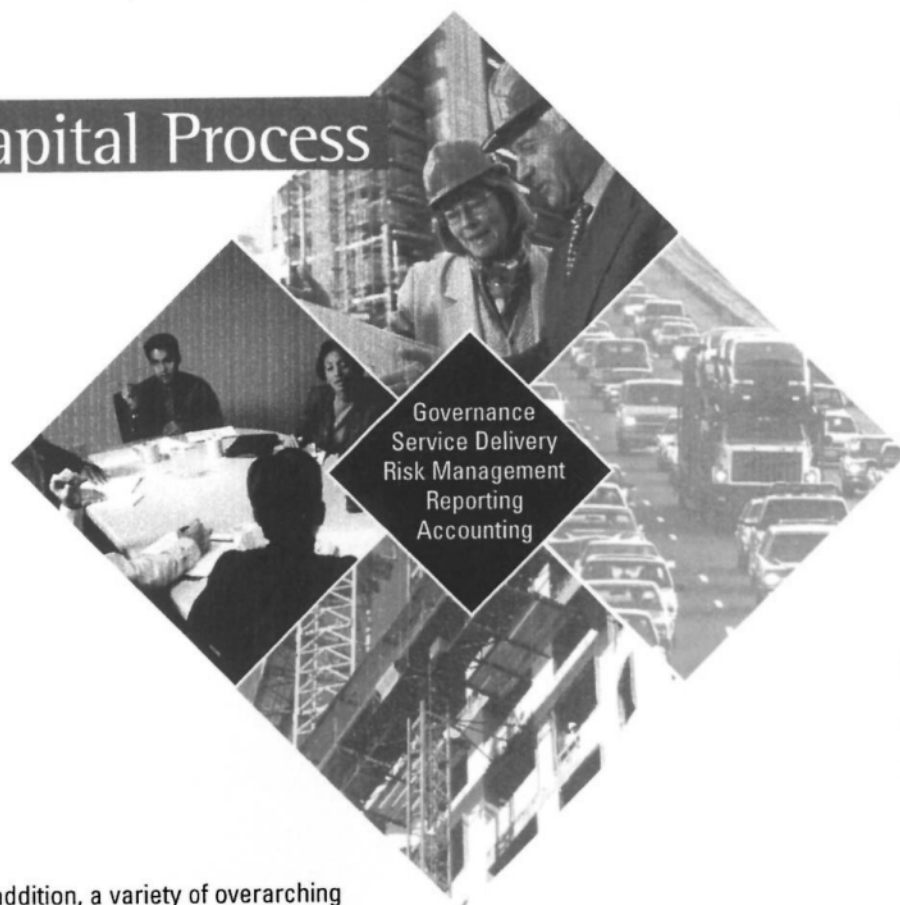
The concepts and processes articulated in this framework are presented in relation to four typical stages in the life-cycle of a capital asset. This is intended for ease of orientation, to emphasize the interrelationship of each phase and to promote a full-life cycle approach to capital management. The four principal phases are:

**Planning** – including the identification of baseline supply and demand information (e.g., inventory information), service delivery options and business case analysis;

**Implementation** – acquisition, or design and construction;

**Operations** – asset in use and related service delivery, including performance reporting; and,

**Renewal or disposal** – end of an asset's useful economic life, or requirement for services is to be renewed or no longer needed.

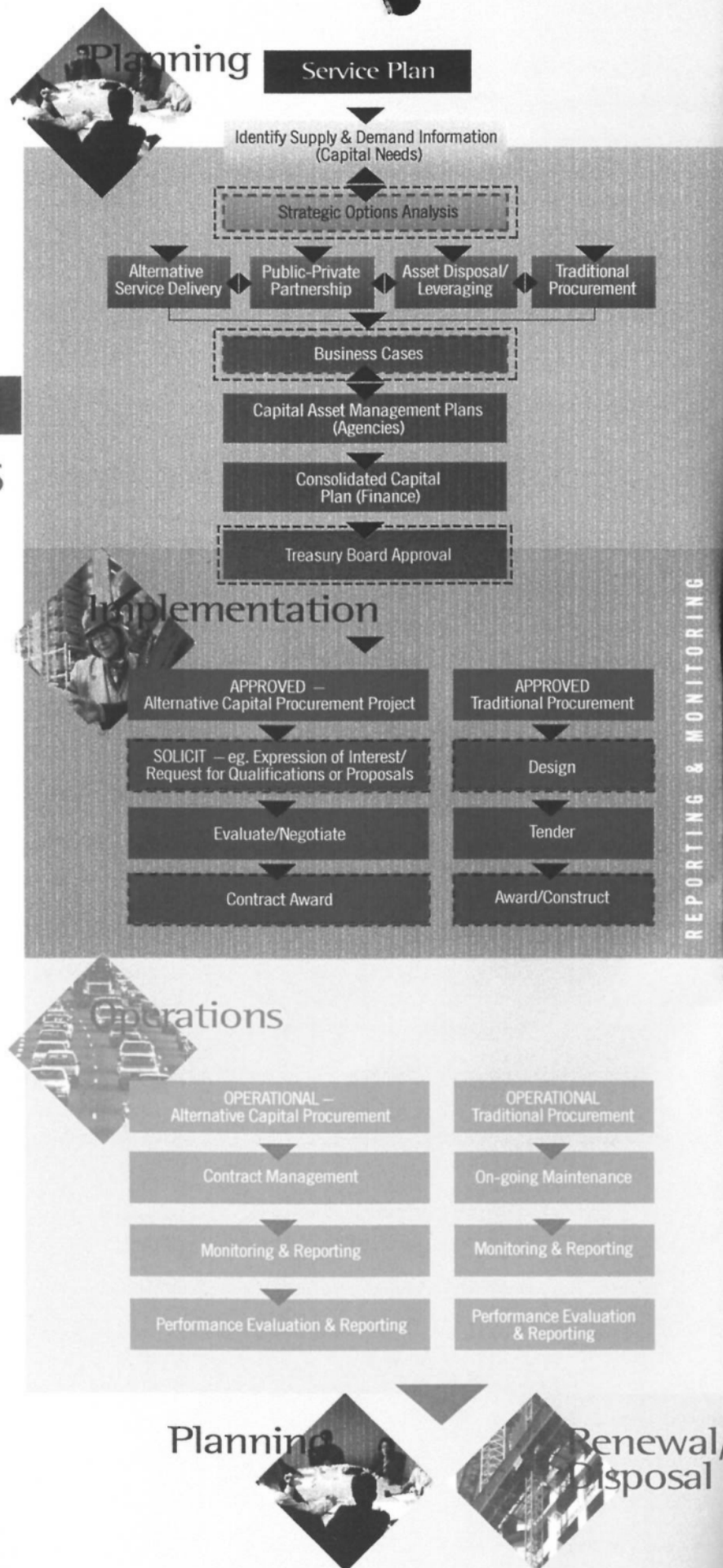



In addition, a variety of overarching capital management issues relevant to every phase in the life-cycle (e.g., governance and risk management) are discussed throughout the framework.


## Capital Asset Management Process

The chart on the following page outlines the major stages in the capital asset management process and identifies potential approval points based on the complexity, risk and cost of projects or the track-record of an agency.

# The Capital Process Steps and Approvals



 Potential Treasury Board Decision Points  
(Based on project cost, risk and complexity or agency track record).

 Potential Open Cabinet Discussion for Major Capital Projects

## Mandate Statement

**Primary Purpose:** To advise and assist Ministries and their agencies in identifying and implementing P3, ASD, asset leveraging and strategic disposition projects.

### Functions:

#### Providing Advice to Government and its Agencies with Respect to P3/ASD

- ✓ Assisting agencies in identifying P3/ASD, asset leveraging and strategic disposition opportunities upon request;
- ✓ Assisting in the preparation of project business cases, and strategic options analyses in support of proposed P3/ASD, asset leveraging and strategic disposition projects on behalf of clients;
- ✓ Developing and preparing Expressions of Interest and Requests for proposal document on behalf of clients;
- ✓ Managing P3 related procurement processes including consultant selection on behalf of clients;
- ✓ Negotiating contract terms with successful proponents and service providers on behalf of clients;
- ✓ P3 project performance monitoring during the operational phase of projects.

#### Central Repository of P3 Knowledge and Know-How

- ✓ Expand the BC knowledge base around P3, ASD, asset leveraging and strategic disposition projects;
- ✓ Understand the full spectrum of P3/ASD, asset leveraging and strategic disposition projects, from transportation and social infrastructure to municipal infrastructure and application to utilities, from BC, Canada and the world;
- ✓ Technical understanding of deal structuring, P3, ASD, asset leveraging and strategic disposition assessment techniques (including risk analysis, value for money and public interest considerations);
- ✓ To assemble and retain in-house, practical expertise comprised of those who understand provincial infrastructure procurement and those that have implemented and negotiated P3, ASD and disposition projects in other jurisdictions.

#### Government's Lead Educator Around P3 and ASD

- ✓ Preparing standard, template form, EOIs, RFPs and contract documents for use on P3/ASD, asset leveraging and disposition projects;
- ✓ Leading the province's P3 policy development work on behalf of government;
- ✓ Conducting and participating in seminars and conferences intended to educate the public and private sectors with respect to P3/ASD, asset leveraging and dispositions and their implementation.
- ✓ Acting as a window to government through which the private sector can bring forward project proposals and provide policy input.

APPENDIX 3

Communications Plan



***Advice to the Minister***  
***DRAFT***  
**Communications Strategy**

**Ministry of Finance**

***Part I: New Capital Management Framework and Partnerships British Columbia***

**A. Issues**

1. Communicating a *New Capital Asset Management Framework* that establishes best practices in capital asset management across the public sector through supporting ministries and other public-sector agencies to be innovative and find the most efficient ways to meet B.C.'s infrastructure needs.
2. Communicating *Partnerships British Columbia*, a new government sponsored agency, whose primary mandate is to assist ministries and public sector agencies in the identification, planning and implementation of P3 projects.

**B. Background**

A number of public reports in recent years have identified the need for a strong provincial policy framework within which to manage capital planning and expenditures.

The new capital policy framework effectively responds to these issues by incorporating best practices from other jurisdictions, such as business case analysis and reporting standards, and creating an essential tool for effective capital planning and sound fiscal management.

A review of experience in the United Kingdom, Ireland, Australia and elsewhere indicates that P3s could benefit B.C. by providing: better value for money; better quality service delivery; faster capital project delivery; a greater number of projects implemented; greater budgetary certainty; better asset utilization; and enhanced competitiveness. The review also revealed that ad hoc application of P3s within ministries was not effective.

***Public-Private Partnerships***

A new province-wide policy has been developed to enable public-private partnerships to finance, build, own, and operate new infrastructure developments in B.C. Not only will such partnerships possibly reduce the financial burden on government; they will encourage innovation and allow B.C.'s private sector to develop a world-class capability that can be exported to other jurisdictions.

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### ***Link to Government Vision***

In government service plan summaries introduced on January 17<sup>th</sup>, the Ministry of Finance outlined its commitment to devising a 'new capital planning framework' and the encouragement of Public Private Partnerships and alternate service delivery approaches. This new approach is expected to attract private-sector investment in the province's infrastructure while creating a 'home grown' capability that will allow local businesses to do work in other jurisdictions.

The throne speech on February 12 indicated that "considerable effort will be focused on pioneering so-called P3s, which have proven very effective in attracting private capital to support public policy objectives in B.C. and in other jurisdictions."

Additionally, the Finance Minister outlined in his budget speech on February 19<sup>th</sup> how government is "changing the way we develop public infrastructure - opening up new opportunities for the private sector and opening up government to creative new ideas for providing public services at a cost we can afford."

### **C. Capital Asset Management Framework**

Government has made strong commitments to sound fiscal management, public accountability and, above all, value for taxpayers' dollars. That means delivering effective public services that meet people's needs at an affordable cost — a principle that underlies every part of government, including the management of capital assets.

To help public agencies find the best solutions and apply the best capital management practices, the government is developing a Capital Asset Management Framework, consisting of **three integrated documents that will be updated on an on-going basis.**

- A Framework Overview describing the objectives, principles and key elements of the framework and illustrating steps and approval points in the new, streamlined capital process.
- A set of Guidelines, detailing the province's minimum standards, as well as policies and processes, for capital asset management.
- A Tool Kit, that will be developed on an on-going basis including, technical guidelines, sample documents, templates, manuals and other practical tools to support efficient, accountable capital management.

## **1. Objectives**

The **two key objectives** of the *New Capital Asset Management Framework* are:

1. To establish best practices in capital asset management across the public sector.
2. To support ministries, health authorities, school districts, Crown corporations and other public-sector agencies to be innovative and find the most efficient ways to meet B.C.'s infrastructure needs.

## **2. Application**

The framework applies to all B.C. public-sector agencies, and to the management of all public capital assets, regardless of their dollar value or the way they're financed. Specific standards of compliance are set out in regulations or letters of expectation for individual agencies.

The framework is not prescriptive but sets out basic guidelines and principles, as well as minimum standards, which agencies are encouraged to exceed.

## **3. Challenging Assumptions**

The framework encourages agencies to be creative and look beyond traditional approaches to managing capital assets. Instead of doing 'business as usual,' they should explore a full range of options for meeting service delivery needs, and make decisions based on what is best, rather than simply following best practices.

For example, as a first step in the capital process, agencies should ask:

- Is there another way to meet our service delivery needs that could avoid new capital spending?
- Is there a way to better manage or use existing assets that could reduce the need for additional expenditures?
- Is there a way to share the cost and risk of capital acquisition with, for example, a private sector partner?

These are all alternatives to traditional, publicly funded procurement, which still remains an option.

## **D. Partnerships British Columbia**

To maximize the potential benefits from P3 opportunities in B.C., government is creating *Partnerships British Columbia*. The government's newly defined budgeting, planning and management processes will require knowledge and

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skills that may not currently be widely available in government and will need to be addressed by Partnerships British Columbia.

A review of the experiences in the United Kingdom, Ireland, Australia and elsewhere reveals several key lessons for consideration in designing Partnerships British Columbia, including:

- It is necessary to have a central and distinct body of P3 expertise, designed and dedicated to supporting government.
- Requiring a review of all projects for P3 applicability paralyzes the system.
- Policy development must be directly linked to experience gained from actual P3 projects.

Partnerships British Columbia will provide advice to Ministries and Agencies with regard to proposed P3s, deal structuring and related policy issues.

Initially, Partnerships British Columbia would be involved in all aspects of project development as P3 competence is built throughout government — from planning to implementation. As Ministries or Agencies become more experienced and skilled in P3 delivery, they may not require the same degree of assistance from Partnerships British Columbia.

**E. P3 Opportunities by Ministries**

Ministry P3 opportunities are outlined in individual ministry's service plans and will be presented in greater depth through the implementation of communications plans specific to each ministry.

**F. Media Analysis**

The idea of public-private partnerships has received abundant media coverage both in B.C. and across Canada in the past six months. A significant number of newspaper editorial boards have written in favour of P3s. Ipsos-Reid released their data from a poll conducted between March 4-11 which reveals that 60 per cent of British Columbians generally think it is a good idea to allow P3s.

However, negative responses were common among the labour movement, general public and the opposition — mostly in terms of privatization of anything related to health care.

Peter Foster in his National Post column on November 28 quoted research director for CUPE, Jane Stinson, "research demonstrates that P3s are a bad deal. They cost more, taxpayers continue to shoulder the risk, and there is no evidence of better services." Further in the column, Foster states that, "although there may have been problems with specific ventures, the overall evidence points in exactly the opposite direction. P3s can provide infrastructure and services of higher quality at lower cost, and with no loss of ultimate government oversight."

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However, negative media coverage has waned over the past four months paving the way for a more intelligent and open debate of the pros and cons associated with P3s. Notably, Harvey Enchin of the Vancouver Sun has written many articles focusing on both sides of the issue.

On January 29, in Enchin's article entitled, 'liberals looking for partnerships to deliver public services,' he outlines how B.C. is "late in adopting the view that the private sector, more often than not, can build, manage and maintain infrastructure at a higher standard and for less cost than government can."

On February 19 in the Sun, Enchin writes a lengthier article outlining the cons of P3s namely that "debt can be taken off the books and hidden from public scrutiny in such a partnership. The taxpayer remains liable if things go wrong. And some critics caution that benefits attributed to P3s are sometimes dubious, and not all outcomes are satisfactory." Further to his argument regarding liability, Enchin points out that "joint ventures are beyond the reach of the AG, who is limited to examining the public accounts."

A letter to the editor on February 25 by John Hunter rebuts Enchin's arguing that "of course P3s are off the balance sheet debt — that is one reason for P3s!" Hunter continues by explaining P3 structure and how risks are shared between the parties on a contractually agreed upon basis.

In a meeting with the Sun editorial board in late February, Minister Collins made it clear that government will restructure the way they fund capital. In essence, Collins said ministries will be required to balance how they fund capital and make decisions on the best way to provide services other than just constructing another building. Collins added, "a key part of the capital division restructuring is the creation of a new agency to administer public-private partnerships."

On March 14, CKNW and CBC reported on the HEU's accusation that a private company, Sodexo Corporation, hired in early March by B.C.'s Northern Health Authority to revamp delivery of hospital support services was, "at the centre of a mounting controversy about questionable cleaning standards at hospitals in Glasgow, Scotland." The story did not reach print.

On March 20, CBC reported on a Freedom of Information report, requested by HSA, which included a Price Waterhouse review of P3s. "The MSA Hospital said privatizing services doesn't make sense and adds that savings would amount to 1% over 30 years."

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**G. Ministries and Agencies Affected**

- Ministry of Finance (Capital Division)
- Treasury Board
- Premier's Office
- Management Services
- All other ministries, boards, agencies, Crowns

**H. Audiences:**

- **General Public/taxpayers**
- **Media**
- Canadian Council for Public-Private Partnerships
- Construction Sector and Related Associations
- Project Management Sector and Related Associations
- Public Works Financing
- Developers/Private consortiums
- Lawyers
- Municipalities
- Health Authorities
- Health Industry Associations
- Health Care Service Providers
- Labour Unions (BCTF, CUPE, HSA, HEU, BCGEU, BC Fed (CLO), BCNU, BCMA, CFS, CIA, CUFA)
- School Boards
- Investment Community
- Other domestic/international jurisdictions (municipal, provincial or federal)
- Business Community (local, national and international)
- Banks/Pension Funds
- Citizen Advocacy Groups
- Rating Agencies

**I. Opportunities/Objectives:**

- **Delivering on New Era Commitments:** Under 'our vision,' the New Era document states that government will manage public resources and tax dollars in a responsible and accountable manner. With cost pressures building and government's strong commitments to sound fiscal management, government is looking at delivering effective public services

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that meet peoples needs at a cost we can afford – namely bringing in the private sector to assist government in fulfilling its requirements.

- **Providing innovative solutions:** The next few years will be challenging as government moves toward its goal of a balanced budget. Even more challenging will be keeping up with infrastructure needs in the face of a growing debt. General policy, prior to considering P3s, limited necessary capital projects. There is a clear opportunity to demonstrate that there are innovative ways of maintaining exceptional levels of service without impacting taxpayers.
- **Open up business to the private sector:** Demonstrate through stakeholder buy-in that government values the input of British Columbians in developing new strategies and policies.
- **Consistency with other jurisdictions:** Both Alberta and Ontario have invited the private sector to build, own and operate some public facilities (e.g. medical clinics or highways). Both have stated that the demands made on governments mean that only an influx of private money can ensure the modernization and expansion of public facilities, including health-care facilities. Other examples include: internationally (UK, Australia, Ireland etc.) one-quarter of hospitals are provided by private companies; in the Netherlands, three-quarters of primary and secondary students go to schools that are publicly financed but privately run, in many cases by non-profits.
- **Demonstrating P3s are not a 'cure all' for the fiscal issues facing government:** Early P3 initiatives in other jurisdictions experienced and dealt with a number of challenges including: project complexity; an initial increase in the time to complete projects; increased bidding costs; more policy and regulations; difficulties in measuring value; and reduced budgetary flexibility. Partnerships British Columbia is not just a vehicle to promote P3s, rather it will ensure the public interest is met through possible procurement of P3s, ASDs or a more traditional approach when deciding how to fulfil the project requirements.

**J. Vulnerabilities:**

- **Accusations of a 'privitization' agenda:** This has already been evident in media coverage to date. Critics may ask for complete disclosure of any other plans to sell government-owned assets or build them as P3s.
- **Labour Organization opposition:** If government fails to show that public-private partnerships are about 'practical solutions to a real need' government could miss the opportunity to demonstrate that P3s transcend political ideology and that many jurisdictions have stressed that concerns are taken care of by well-made contracts. Opposing stakeholder

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organizations may accuse government of having an 'anti-labour' agenda that will see wages 'decrease for ordinary working people.'

- **Overall cost of *Partnerships British Columbia*:** The initial start up cost would be taxpayer funded. The budget from Capital Division and the budget from Business Partnerships would go to *Partnerships British Columbia*. It is also the intention of *Partnerships British Columbia* that Ministries and Agencies not pay for direct services provided by *Partnerships British Columbia* for at least the first few years hence *Partnerships British Columbia* would be relying on government funds to continue either on a project-by-project basis or annually. Clients will be expected to cover the costs of external consultants.
- **Allegations that previous government staff will unnecessarily be paid in excess of their current wages at the taxpayers expense:** Human resources consulting firm, Wadson/Wyatt — the same company that reviewed Deputy Minister salaries — has been retained to prepare a human resource plan for *Partnerships British Columbia* that is consistent with rules for organizations within the government family.
- **Public as opposition:** This would be primarily in the area of health care or highways. As an example, Alberta's past fight over Bill 11 demonstrates the extent to which some elements of the public will go in an effort to maintain the status quo.
- **Running counter to the Canada Health Act:** Specifically the Act's principles of comprehensiveness and affordability. The new framework's emphasis on P3s may get anti-privatization stakeholders — especially in the health sector (e.g. Hospital Employees' Union) — to initiate public opposition campaigns. For example, if the MSA hospital replacement project proceeds as a P3, the opposition in B.C. may mirror the struggle Alberta had when they introduced the 'Health Protection Act' (Bill 11).

**K. *Announcement of New Capital Management Framework and Partnerships British Columbia***

**1. Key Points:**

- Government is committed to providing accessible, quality service delivery of health care, education and transportation to all British Columbians.
- Through looking at alternative solutions, government will ensure your taxpayer dollars are spent more effectively and efficiently.
- Over the long-term, government may potentially save million of dollars — dollars that could be directed toward helping patients and students.
- To that end, government has developed both a new capital asset management framework and a new agency to guide us in delivering



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innovative, effective and efficient public infrastructure and services British Columbians deserve.

- The New Capital Management Framework is based on best practices in building and running public infrastructure. This may include P3s, ASDs, or traditional vehicles to ensure public interest is at the forefront.
- Partnerships British Columbia, the corporate agency, will consult with Ministries and Agencies to determine if the screened project is viable for delivery through a P3, and provide an assessment to the Ministry.
- If a P3 is in the public interest, Partnerships British Columbia will assist transactions and advise agencies throughout the planning and implementation of P3 projects.
- This agency will assist government in overcoming the fiscal and economic challenges government faces in delivering capital projects within the context of the new framework.
- Ultimately, the framework together with Partnerships British Columbia will ensure that taxpayers get the maximum value for their tax dollars — both in terms of maintaining modern, affordable buildings and through the effective delivery of services.

**Secondary Messaging**

- In the past, government has had a very traditional approach to building public infrastructure. However with the economic situation as it is, we must look at innovative ways to continue delivering quality services such as health care and education.
- We looked right across the globe for best practices and certainly there are things to learn both good and bad, from every jurisdiction that has engaged in public-private partnerships.
- We cannot presume that either the public or private sectors can put these projects together more efficiently or effectively. We owe it to taxpayers to evaluate all feasible options, including a variety of P3 alternatives.
- Several examples of P3 success models exist in the United Kingdom and Australia where government has begun working in partnership with the private sector.
- We have reviewed these models and are continuing to learn from the experiences and successes of other jurisdictions as we begin to consider potential provincial P3 opportunities.

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**2. The Announcement**

It is recommended that the Minister of Finance simultaneously announce both the new Capital Management Framework and the new entity, *Partnerships British Columbia*.

Considering this announcement is scheduled for May 31<sup>st</sup> during the Canadian Council for P3 conference, it is advised that a government representative brief the more prominent unions such as the HEU or HSA at the same time the conference is occurring to ease potential tension.

It is also recommended that there is a briefing in Victoria including select Ministry Stakeholders, Deputy Ministers, Communication Directors and MLAs on or before the announcement day.

**3. Media Relations - Announcement Day**

There is a media room set aside at the Hotel Vancouver. After the minister delivers his speech to the conference attendees (media is also permitted to listen), it is advised that Minister Collins answer a series of Q's and A's in the media room along with a spokesperson for Partnerships British Columbia and possible third party validators.

Finance communications will ensure availability of third-party validators and schedule earned-media opportunities with major media and media outlets; where necessary.

**4. Media Relations – Post Announcement**

Ensure Premier and Minister of Finance focus their speeches and media interviews with the new framework and the shift towards utilizing P3s as good examples of fiscal management and new ways of providing improved public services.

**L. Recommended Strategies:**

**(i) Development of graphic identity (branding) for Partnerships British Columbia**

**Responsibility:** Communications **Date Due:** May 15<sup>th</sup>

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**(ii) Pre-Announcement Readiness**

To ensure tight co-ordination and awareness of this announcement it is recommended that a series of meetings take place:

- Key stakeholders:  
**Resp:** Partnerships British Columbia representative **Due:** May 29<sup>th</sup>
- Deputies:  
**Resp:** Paul Taylor **Due:** May 29<sup>th</sup>
- Public Affairs Bureau and Communications Directors:  
**Resp:** Susan Gee **Due:** May 29<sup>th</sup>
- Caucus  
**Resp:** Minister of Finance **Due:** May 29<sup>th</sup>  
Caucus should be informed they will receive a full Communications package the day of the announcement (May 31<sup>st</sup>)

**(iii) Follow-Up Activities**

Ministry of Finance communications will be proactive in finding media and stakeholder group opportunities to market government's new direction in the months following the framework announcement. These earned-media and other opportunities include:

- profile of new framework and Partnerships British Columbia in Business in Vancouver magazine
- Summit Magazine
- Journal of Commerce
- Feature story in Globe & Mail's Report on Business, National Post, Toronto Star
- Financial Post feature story
- letters-to-editor/ template of op-ed piece
- Radio programs: Rafe Mair, Bill Good, CBC, and regional shows
- Speaking opportunities at UBCM, Vancouver Board of Trade, BC Chamber of Commerce, etc.
- presentations to local chambers and stakeholder groups by Premier, Minister of Finance and other cabinet ministers on their economic speaking tours
- Follow-up presentations in Open Cabinet either by Minister of Finance or by Minister responsible for the latest P3 initiative.

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- In addition, presentations to both local and international audiences by the head of *Partnerships British Columbia*

#### **(iv) Materials**

##### **Press Kits:**

Presentation Folders: Designed with the new *Partnerships British Columbia* logo for use by the corporation and for announcement press kits.

News Release: a news release from the Ministry of Finance will be issued on the day of the conference including both the introductions of the New Capital Management Framework and *Partnerships British Columbia*.

Brochure on *Partnerships British Columbia*: will provide summary of *Partnerships British Columbia* mandate and how the new entity will function separate from government.

Brochure on the New Capital Framework: will provide summary of new framework, background on P3 models used by other jurisdictions, etc.

##### **Additional Communications Material required:**

Backdrop with *Partnerships British Columbia* logo: Design a backdrop for the minister or *Partnerships British Columbia* to use for initial announcement. Could be designed for use in subsequent speeches or presentations. (Small/portable)

Two Speeches: Both for the Minister and Paul Taylor

Web-site developed: A web site for *Partnerships British Columbia* must be developed with its own URL — linked from the government site.

Web-Site Updates: in addition to the news release, provide further information/links on the *New Capital Management Framework* and P3 models (include PowerPoint presentation, links to other jurisdictions, links to studies that show P3s as successful, etc.).

PowerPoint Presentation: developed to provide overview of the *New Capital Management Framework* and government's interest in pursuing P3 models; would include section on the Vancouver Conference Centre and other potential projects. (Presentation could be used in an Open Cabinet meeting, a press conference, or, if required, for a technical briefing to media, and as part of general stakeholder communications, etc.)

Communications Note: will provide major framework principles, and strategic key points/messaging.

Q and A Document: for internal use by government and ministry personnel.

MLA Packages: will consist of news release, two brochures, Q's and A's; speech modules, op ed. template etc. Distributed through Caucus communications.

Op-Eds/Letters-to-the-Editor: prepare for use by Ministers/MLAs as required.

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(v) Activities:

**Communication Activity Tracking Table**

EVENT/ACTION ITEM [RESPONSIBILITY]	TIMEFRAME						
	May						
	1	8	15	22	29	30	31
<b>1. New Capital Management Framework and Partnerships British Columbia Announcement</b>							
<b>Communications Plan</b> [Fin Comm]							
<b>Development of graphics - identity (branding) for Partnerships British Columbia</b> [Fin Comm]							
<b>Meeting with DM, Sue, Karen to discuss Comm Plan, general roll-out (May 6<sup>th</sup>)</b>							
<b>Media Room</b> Ensure appropriate material (discuss with conference organizers) [Fin Comm]							
<b>QP (6-10 working days required for print run)</b> ➤ <b>Presentation Folders/Partnerships British Columbia Brochure</b> [Fin Comm]							
<b>Co-ordinate with conference organizer to ensure appropriate media room, security, etc.</b> [Fin Comm]							
<b>Design Web site for Partnerships British Columbia</b> [Fin Comm]							
<b>Update Finance Web site to encompass New Capital Framework</b> [Fin Comm]							

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<b>Internal Communications:</b> <u>briefing Caucus</u> [Minister of Finance] <u>DMs council</u> [Paul Taylor] <u>PAB &amp; Comm. Directors</u> [Susan Gee]								
<b>Media Relations: Q's &amp; A's</b> TV interviews. [Fin. Comm.]								
<b>Radio/TV</b> Minister is slated to speak at noon therefore we may schedule him for pre-announcement media - ie. Rafe Mair or BCTV (noon news)								
<b>Prepare MLA packages including:</b> News release, Q's & A's, speech module, key points, op ed template [Fin Comm]								
<b>EVENT/ACTION ITEM</b> <b>[RESPONSIBILITY]</b>	<b>TIMEFRAME</b>							
	<b>June</b>				<b>July</b>			
	3	10	17	24	1	8	15	22
<b>2. Post Announcement</b>								
<b>Media: Talk Shows</b> CKNW , CBC, both local and regional								
<b>Media: Interviews with Business in</b> Vancouver, Globe & Mail, NP, Summit Magazine, (P3 Niche magazines). [Fin Comm]								
<b>Op-Ed: to major provincial newspapers (if required)</b> [Fin Comm]								
<b>MLA speeches to include the <i>New Capital Management Framework</i> and Partnerships British Columbia</b> [Individual Ministers]								

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Speaking tour with Partnerships British Columbia								
[Partnerships British Columbia]								

**(vi). Tools:**

- News releases
- Presentation Folders
- Backgrounder/Media packages
- Speeches (2)
- Brochures (Capital Asset Management Framework & PARTNERSHIPS BRITISH COLUMBIA)
- Qs & As
- Communications Note
- MLA packages
- Messaging for speeches
- Op-eds/Columns/letters-to-the-editor
- PowerPoint presentation
- Discussion Paper

**(vii). Resources**

- Activities to be resourced through existing budgets. Co-ordination will be required between Finance and Health Communications branches and Capital Division.

**(viii) Evaluation**

- Media monitoring - monitor media coverage and track media inquiries for P3 announcements.
- Monitor the response of key stakeholders and prepare appropriate messaging/CNs for Premier/Ministers.
- Track phone calls, e-mails, correspondence, inquiries and requests for materials, and responses to ministry and waste buster web-sites.

**Part II: P3s Cross-Government Communications**

**A. General Issues Management/Co-ordination - Public Affairs Bureau**

Once the capital framework is public knowledge, all subsequent capital and P3-related announcements from different ministries should ensure they are consistent with the government's new vision, philosophy and framework.

Because of the number of P3-related opportunities identified throughout ministries' service plans (MSA hospital replacement, Coquihalla Highway

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opportunities, etc.), the Public Affairs Bureau has formed a communications group to strategically manage, track and co-ordinate these announcements.

Other Cabinet ministers and MLAs may also need to get progressively involved in the media and their constituencies (letters, op-ed pieces, interviews, speeches, etc.). They may have to counter potential public campaigns by interest and advocacy groups, opposed to the new framework and P3s generally (or specifically on MSA or the Coquihalla).

PAB has developed general points and branding for use by all ministries.

**B. General Communications Templates**

**(i) P3 General Messaging**

- As part of our commitment to responsible and accountable management of public tax dollars, we are reviewing the best approaches to building hospitals, highways, and educational facilities, including public-private partnerships (P3s).
- We need new solutions to building and managing capital projects so that overhead costs are minimized to free up our limited tax dollars for priority core services.
- We've introduced labour changes that put patients, students and taxpayers first by increasing management flexibility.
- These changes, coupled with our new public private partnership approach, will help ensure we deliver quality public services to the people of British Columbia in the most cost-effective way possible.
- In considering potential health sector P3 projects, we remain committed to the five principles of the Canada Health Act — comprehensiveness, universality, accessibility, portability and public administration.

**(ii). P3 Branding - Signature**

Public-Private Partnerships are part of the government's strategic plan to provide needed public infrastructure and services at the best possible cost to taxpayers.

**(iii). P3 Branding - News Release Template**

VICTORIA: The provincial government is inviting the private sector to submit innovative proposals for a public-private partnership to (finance, build and operate) build, lease and operate) (build, own and operate) (design, build and operate) (design, build and develop) a new and expanded (Vancouver Convention and Exhibition Centre) (Victoria Multipurpose Complex) (South Surrey Interchange), Minister x announced today.



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"British Columbians need highways, schools and health facilities now but they want them built and operated in an affordable and efficient manner, said Minister x. "That's why we're opening up new opportunities for the private sector to partner with government on projects like \_\_\_\_\_ which couple better value for money and innovative options that British Columbians asked for and deserve."

Attracting private sector participation reflects the government's commitment to responsible and accountable management of public tax dollars.

Using a Public Partnership approach on project x will help ensure we deliver quality public services to the people of British Columbia in the most cost-effective way possible.

Prepared by:       Kelli Svendsen  
                          Finance Communications  
                          Ministry of Finance

Date Prepared:     May 1, 2002  
Revised:            May 3, 2002  
                          May 16, 2002

# **WORKING DRAFT #6**

5/17/02 10:26 AM

## **Draft Policy Paper:**

### **Alternative Delivery and Financing**

### **Of New Highway Infrastructure**

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- 5.4 Organization Arrangements for Development of P3's

### **6. Protection of the Public Interest**

## 1. Introduction

The Government of British Columbia has adopted a policy of using public-private partnerships (P3's) for the provision of transportation, health and other infrastructure where it makes good business sense. Such partnerships are contemplated when there is a business case that indicates that the proposed P3 arrangement is preferable to a traditional delivery approach.

This paper focuses on the use of P3's for the provision of new highway infrastructure. It outlines:

- the nature of P3's
- the case for using P3's;
- the models of P3's to be used in British Columbia;
- how significant policy issues raised by such P3's are to be addressed; and
- the legislative and organizational framework for development of such P3's.

This paper is being released in draft form in conjunction with the introduction of Bill XX, "Transportation Investment Act". Passage of this Act and finalizing of this paper is to be deferred until the Fall 2002 session of the Legislative Assembly to provide the opportunity for submission of comments. Comments received by 4:30pm, Thursday, September 12, 2002 will be given consideration. Comments may be submitted as follows:

### By E-Mail

New e-mail exclusively for this purpose?

### By Fax

(250) 356-6970

### By Mail

Ministry of Transportation  
Comments on Alternative Delivery and Financing Policy Paper  
PO Box 9850, Stn Prov Govt  
Victoria, BC V8W 9T5

## 2. The Case for Using P3's

### 2.1 Growing Need for Highway Infrastructure

New highway infrastructure is needed to accommodate:

- population growth;
- increased trade and economic growth; and
- increased tourism.

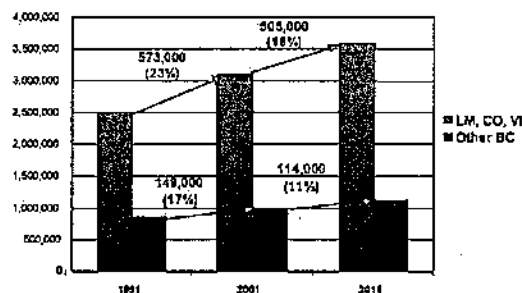
New highway infrastructure is also required to improve or maintain the safety and reliability of the highway system.

In the past decade, the Lower Mainland, Okanagan Valley, the Sea-to-Sky Highway and sections of the TransCanada and other highways have experienced growing congestion. This situation has evolved as a result of the continuing rapid rate of population growth, expanding use of automobiles for various personal trips and tourism, expanding use of trucks for goods movement and relatively low expenditures for expansion of the highway system in these areas over the past decade.

Since 1991, the population of the province has increased by over 650,000 and is forecast to increase by another 620,000 by 2011. Over 80% of this growth is occurring in the Lower Mainland, Central Okanagan and Vancouver Island regions.

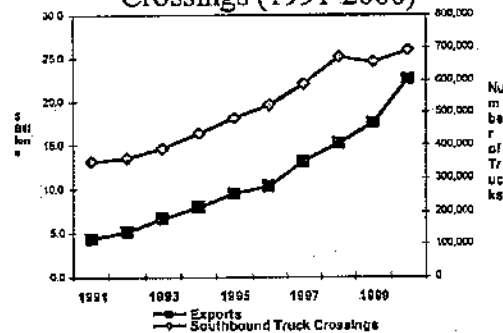
#### Population Growth (1991-2001)

Lower Mainland, Central Okanagan and Vancouver Island

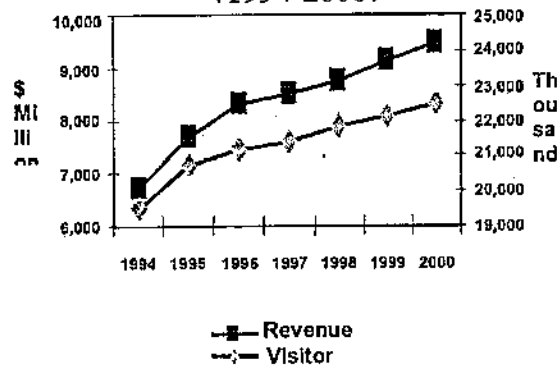


The last decade has also seen a 50% increase in the number of trucks crossing the Canada/US border in British Columbia, and a 15% increase in the number of visitors to the province.

Value of Exports and Lower  
Mainland Highway Truck  
Crossings (1991-2000)



Tourism Revenue and  
Number of Visitors  
(1994-2000)



TransLink, with assistance from the Greater Vancouver Gateway Council, the BC Trucking Association and the BC Automobile Association, has estimated the annual costs of congestion to commercial vehicles in Greater Vancouver alone to be over \$500 million as of 1999. In addition, the quality of life is impaired by the growing amount of time spent by people commuting to and from work. Without investment in the highway system, this situation will worsen.

[We may want to elaborate on the priorities we foresee for capacity expansion. We would have to be careful not to get into specific projects. The focus would be on corridors and areas.]

## **2.2 Limited Availability of Public Resources**

The provincial government is currently projecting a budget deficit of \$4.4 billion in 2002/03 and is required by statute to eliminate this deficit by 2004/05. To achieve this requirement the government will be reducing the scope of and eliminating a number of programs. It is being guided in this regard by the outcome of the Core Program Review.

For the Ministry of Transportation, the Core Program Review has established the following priorities for appropriations available to the ministry:

- the operation, maintenance and rehabilitation of the existing highway system; and
- improvements that enhance the safety and reliability of the existing highway system.

As a result, limited funding is available for highway capacity expansion. This funding will have to be used strategically:

1. to lever federal and other cost-sharing; and
2. to facilitate public-private partnerships that entail the recovery of all or a large portion of the costs of the expansions from users and other beneficiaries (e.g. through tolling).

The ministry's Service Plan contains the following targets for private investment in the highway system leveraged through public-private partnerships: \$20 million in 2002/03; \$70 million in 2003/04 and \$140 million in 2004/05.

## **2.3 Cost Savings and other Benefits Possible through P3's**

P3's offer the potential of a number of benefits relative to traditional methods for delivering and financing new highway infrastructure. These include:

- ability to capture private sector innovation and cost-savings in order to reduce overall project costs;
- ability to undertake highway improvement projects much earlier (years or decades earlier) or to otherwise realize improvements in service;
- ability to shift significant risks associated with the construction and operation of new highways from the taxpayer to the private sector;
- ability to better utilize under-performing assets such as vacant land held for future highway expansion.

Such benefits, however, are not always realizable. For example, for some smaller highway expansion or improvement projects, the costs of collecting tolls may prove to be prohibitive. Therefore, the use of a P3 should be substantiated by a business case that indicates that the proposed P3 arrangement is preferable to a traditional delivery approach.

### **3. Alternative Forms of P3's**

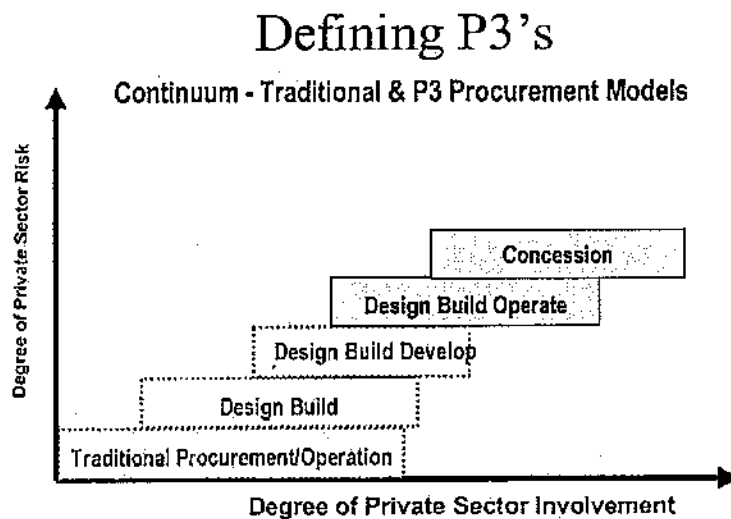
Different P3 models are utilized worldwide. Some of the more prominent models are outlined below.

<b>P3 Model</b>	<b>Definition</b>	<b>Potential Benefits</b>
Design-Build	<ul style="list-style-type: none"><li>• Combines design and construction in a single contract</li></ul>	<ul style="list-style-type: none"><li>• Reduced cost due to synergies between designer and builder</li><li>• Shift of some risk to private sector</li></ul>
Design-Build-Develop	<ul style="list-style-type: none"><li>• Combines design and construction in a single contract, with compensation, partially or wholly, in the form of residual land within a specified area</li></ul>	<ul style="list-style-type: none"><li>• Reduced cost due to synergies between designer and builder and optimization of land use</li><li>• Shift of some risk to private sector</li></ul>
Design-Build-Operate-Transfer	<ul style="list-style-type: none"><li>• Combines design, construction, operation and maintenance in a single contract covering a specified period</li></ul>	<ul style="list-style-type: none"><li>• Reduced cost due to synergies between designer and builder, optimization of trade-off between capital and operating expenditures and innovation in operating/maintenance practices.</li><li>• Shift of significant risk to private sector</li></ul>
Design-Build-Own-Operate-Transfer (Concession)	<ul style="list-style-type: none"><li>• Private sector finances, designs, constructs and operates/maintains facility for a specified period</li></ul>	<ul style="list-style-type: none"><li>• Reduced cost due to synergies between designer and builder optimization of trade-off between capital and operating expenditures and innovation in operating/maintenance practices.</li><li>• Accelerated/enhanced service provided to highway users</li><li>• Shift of substantial risk to private sector</li></ul>

A key feature of all of these models is that they utilize expertise and/or resources from the private sector. Most highway design, construction and maintenance in British Columbia is procured already through contacts with the private sector, although usually through separate contracts for each phase. The government already uses the design-build and design-build-develop models for procurement in some circumstances.



Another key feature of the models is that they entail the transfer of varying degrees of risk to the private sector.



#### **4. P3 Models to be Used in British Columbia**

The Ministry of Transportation will continue to use the design-build and design-build-develop models of procurement for new highway infrastructure where these models present the opportunity to realize cost savings and other benefits.

The government also intends to award concessions to facilitate the provision of new highway infrastructure. Concessions will entail:

- transferring an interest (not fee simple) in a highway, for a fixed term, to a concessionaire;
- requiring the concessionaire to design, construct or improve, operate and maintain the highway in a specified manner;
- authorizing the concessionaire to levy and collect tolls in a specified manner.

The concessionaire will be responsible for financing some or the entire required new highway infrastructure, with tolls providing the means for recovering this financing, including a return on the equity invested.

## **5. Policy, Legislation and Organization Framework**

A policy, legislation and organization framework is required to enable and guide the award of concessions and use design-build-develop procurement for new highway infrastructure.

### **5.1 Tolling Policy**

The following tolling policy outlines where, when and how tolling will be instituted and how various concerns arising out of the use of tolling will be addressed. This policy is intended to be fair and equitable to all British Columbians and to be applied across province.

The policy consists of a set of principles that will be applied in developing the tolling provisions for each concession. Each concession will have unique circumstances that will have to be taken into consideration and, therefore, the policy is embodied in a set of principles rather than being more prescriptive. s.14

s.14

#### **1. Tolls are to be applied or increased to defray costs for all significant investments (\$50+ million) that primarily expand or extend highway capacity**

In keeping with the direction which came out of the Core Program Review (to focus voted appropriations on operating, maintaining, rehabilitating and making safety and reliability improvements to the existing highway system), and to provide for the equitable application of tolling, tolls are to be applied or increased to defer costs for all investments that primarily and significantly expand or extend highway capacity.

Small improvements, such as passing lanes, and improvements whose primary purpose is to address safety and reliability concerns, such as realignments, will not be subject to tolling. New highways and major highway upgrades, such as four-laning of a two-lane highway for a substantial distance, that cost in excess of \$50 million will be subject to tolling.

In some cases, a substantial portion of the cost of a major highway upgrade will stem from the need to address significant safety and reliability requirements as well as the need to expand or extend highway capacity. In such circumstances, the cost of the safety and reliability improvements may be defrayed by voted appropriations, with tolls recovering only the costs related to the increase in capacity.

#### **2. Tolls are to be commensurate with the benefits received by users of the new or improved highways**

To ensure that tolled highways provide significant net benefits to their users, the level of tolls must be below the level of benefits derived by the users. Where a free alternative exists, this will be demonstrated by the willingness of travelers to use the tolled facility. In cases where there is not a free alternative, this will need to be demonstrated in the business case for the upgraded highway. User benefits can include travel-time savings; vehicle operating cost savings; and reliability and safety benefits.

When construction of new highways or major highway upgrades is undertaken in stages, financing of the work may require tolls to be phased-in to coincide with the completion of each stage.

The establishment of improvement fees in advance of when benefits are available, such as was done at Vancouver International Airport, is not contemplated.

**3. Tolls are to be used to defray the costs of and provide a return on investment to concessionaires – not to generate net revenue for the provincial treasury**

To minimize costs to the travelling public, tolls are to be used for the purpose of defraying the costs of designing, constructing, operating and maintaining new highways or major highway upgrades, and not for the purpose of generating net revenues for the provincial treasury. Costs in this regard can include interest on borrowed funds and a return on the equity capital invested.

**4. The structure and collection of tolls will be customized to suit the unique circumstances of each concession - potential features include the provision of discounts for frequent users, and the flexibility to collect tolls on one segment of highway to defray the costs of improvements on adjacent segments, where those paying the tolls benefit from the improvements**

The unique circumstances of each concession require that there be flexibility in the structuring of tolls. For example, the level of tolls on some concessions may result in a significant burden being placed on frequent users; or, in cases where there is not a free alternative, frequent users may have limited options for mitigating the cost of tolls (e.g. not being able to use public transit or carpool, or to change destinations for activities such as grocery shopping). In such circumstances, it may be desirable to provide for frequent user discounts.

Flexibility in the collection of tolls is also needed to minimize toll collection costs. For example, not all needed significant expansions in highway capacity readily lend themselves to tolling. A major highway upgrading may entail a series of improvements at different locations and the costs of instituting tolling at each location may be prohibitive. In such circumstances it may be more cost-effective to collect tolls at one of the improved locations, or at a remote location, traversed by a significant portion of those benefiting from the improvements at the other locations. To be consistent with the principle that tolls be commensurate with the benefits received, those paying the tolls must also benefit from the improvements.

**5. The collection of tolls may take a variety of forms, but in urban areas it will be barrier-free**

To enable commuters and the travelling public to seamlessly use concession highways and the street system in urban areas and surrounding commuter zones, concessionaires will be required to provide for barrier-free toll collection. This is necessary to maintain the connectivity and continuity of urban road networks, which would be compromised by lengthy queuing and related safety concerns.

Advances in tolling technology have made it possible to establish reliable barrier-free tolling systems. Such systems involve electronic vehicle identification and the invoicing or pre-payment of toll charges.

**6. The public will have the same rights to access tolled highways as non-tolled highways**

Access to a concession highway will be the same as to a non-concession highway. Concessionaires will not be able to deny legal vehicles access to their facilities, except when required for public safety or maintenance and construction related activities. Although access to the facility cannot be denied, members of the public who use a concession highway will be obligated to pay any toll validly charged in relation to the use of the concession highway.

**7. The same maintenance, safety and other standards, and rules of the road, will apply to tolled highways as non-tolled highways**

For public confidence, public safety and ease of enforcement, the concessionaire must comply with or exceed the maintenance, safety and other standards that apply or will apply to comparable non-concession highways. The same rules of the road will also apply to concession and non-concession highways.

Areas in which standards will apply include but are not limited to safety, maintenance, design, signage, enforcement, and operating performance (e.g. snow clearance).

**8. The privacy of personal information used to levy and collect tolls will be protected**

To protect the privacy of the travelling public, a concessionaire will only be permitted to collect personal information in relation to persons using the concession highway if the information is:

- obtained directly from and with the consent of the person ;
- necessary for ensuring safety in relation to the operation of the concession highway; or,
- is necessary for assessing or collecting tolls or other charges related to use of the concession highway.

A concessionaire is not to use or disclose personal information about users of a concession highway unless the use or disclosure is necessary for:

- ensuring safety in relation to the operation or use of the highway;
- assessing or collecting tolls and other charges associated with the use of the highway;
- satisfying a court order; or
- other uses authorized by Legislation.

**9. Third party arbitration is to be available (as a last recourse) to settle disputes**

Concessionaires will be required to use a stipulated process for resolving disputes pertaining to toll charges. If agreement is not reached under this process, the dispute may be referred to a third party arbitration process for resolution.

In order to ensure impartiality, arbitrators are to be independent of the concessionaire and will be appointed by the government for a fixed term.

The decision of an arbitrator under the prescribed appeal procedure will be final and binding on all parties.

**10. Interest and other charges on overdue tolls are to be reasonable**

As with other entities that invoice clients for services or goods received, concessionaires may apply interest charges to late and/or unpaid bills. Experience suggests that concessionaires may also apply other charges to late and/or unpaid bills. Examples include charges to recoup the increased costs of collection. To ensure interest and other charges are reasonable the government will have the authority to limit such charges.

**11. Vehicle or driver licence renewal may be refused if substantial outstanding toll charges are significantly overdue**

To provide for cost-effective collection of significant outstanding toll charges, ICBC may refuse to renew vehicle or driver licenses until payment is made, such is the case for outstanding speeding tickets. This measure would be used only after prescribed processes for resolving disputes have been exhausted and only if the outstanding charges were significant.

**12. Recently completed major projects (\$50+ million) are eligible for tolling in a manner consistent with the "Tolling Principles" enunciated above.<sup>1</sup>**

To address concerns about the equitable application of tolling, recently completed major highway improvement projects are to be eligible for tolling. Tolling will be instituted only where the following conditions apply:

- It was a major project (\$50+ million);
- The project was completed in the last five years;
- The project significantly increased capacity;
- The facility is under provincial jurisdiction and is not expected to be encompassed in another concession; and

Tolling would be consistent with the above "tolling principles".

## **5.2 Land Management Framework**

The Ministry of Transportation has a significant amount of land under its authority throughout the province. In addition to the land upon which our highways are located, the ministry has approximately 5,000 parcels of land. These parcels are primarily leftover land from completed highway projects and land purchased or otherwise acquired in anticipation of future highway projects.

Pursuant to the Core Program Review, the Ministry will utilize the land under its authority to its maximum advantage for the purpose of operating, maintaining and improving or expanding the highway system. The land will be treated by the ministry as a resource for fulfilling its mandate, like the financial appropriation allocated to the ministry by the Legislative Assembly.

For land that is sold or leased, this entails receiving fair market value. For land to be used to accommodate expanded or new highway facilities this means taking into account the value of the property in order to identify the most cost-effective overall design. This latter objective can be achieved by using a design/build/develop procurement model. Under this model, a contract is entered into with the private sector through a competitive process to design and build facilities to achieve specified objectives within a specified land area, and with compensation to include any leftover land. This arrangement creates an incentive to optimize land use, thus minimizing total project cost and reducing reliance on tax revenues to fund the project.

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<sup>1</sup> The Government Caucus Committee on the Economy did not reach a consensus on this principle.

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Pursuant to Section 12 of the Freedom of Information and Protection of Privacy Act, this document was prepared for submission to members of the Executive Council for Policy consideration and recommendation.

To be successful in realizing reasonable land values, partnerships need to be developed with local governments to identify acceptable uses (consistent with Official Community Plans and good engineering practice) for the lands being sold or leased.

**5.3     Transportation Investment Act**

s.14



#### **5.4 Organization Arrangements for Development of P3's**

The development of P3's within the Ministry of Transportation is to be lead by a new department. The Partnerships Department will develop design/build/develop arrangements as well as concessions.

The department consists of three branches and a number of project teams. The three branches have the following responsibilities:

- development of policy and strategies to help implement the department's mandate;
- development of projects partially or wholly financed through the vending-in of ministry land contiguous to projects and whose value will be enhanced by the projects; and,
- management or sale of other ministry land to produce revenues to finance other highway improvements.

The project teams are focussed on developing and implementing of concessions for new highways or major highway upgrades, and on delivery of other partnership projects.

The Partnerships Department will work closely with Partnerships BC, to be formed in conjunction with the restructuring of the Capital Division of the Ministry of Finance. Partnerships BC will be responsible for overseeing the development of P3 initiatives. Partnerships BC will work closely with MoT and other government ministries and agencies, and external legal, technical and financial advisors to ensure that BC becomes a leader in North America for providing innovative, cost-effective services and infrastructure.

**[May need paragraph or two on role of Regional Transportation Committees.]**

## **6. Protection of the Public Interest**

The government's use of alternative delivery and financing arrangements for new highway infrastructure is predicated on a number of conditions being satisfied so as to protect the public interest. The primary purpose of this paper is to define those conditions.

First and foremost, such arrangements must be capable of providing comparable benefits to the public at lower costs and/or risks, or improved benefits for comparable costs and/or risks, relative to more traditional arrangements. In addition, the safety and reliability of the highway system, and the rights of legal vehicles and other users (e.g. utilities) to access it, must not be compromised.

Other conditions that must be met include:

- equitable treatment with regard to the payment of tolls;
- receipt of fair value in exchange for the payment of tolls;
- access to a fair and expeditious process for resolving tolling disputes; and
- protection of the privacy of users of the highway system.