

Backgrounder

**Public Private Partnerships:
Value for Money in Delivering B.C.'s Infrastructure**

Jurisdictions across Canada are struggling with inadequate or failing physical infrastructure and a finite capacity to address those inadequacies with current tax resources. In fact, it is projected that Canada's infrastructure deficit is close to a staggering \$60 billion.

Governments around the world are recognizing that while they are the best (often the only) bodies to set public policy and regulate performance, they are not often the most efficient entities when it comes to project management. Governments can spend money strategically, and with the assistance of private expertise, the results achieved provide greater efficiencies.

Accordingly, the government of British Columbia created an independent company – Partnerships British Columbia (Partnerships BC) – dedicated to finding and facilitating opportunities in which the private sector can partner with government in renewing or expanding public infrastructure. Partnerships BC is now achieving what it set out to do – having created eight successful partnership agreements that deliver value for money for taxpayers.

The single goal is to help the B.C. government provide the best possible roads, bridges, and health care facilities in a timely manner, and delivering innovation at a price that government alone could not match. Public private partnerships are expected to help meet 10 to 20 per cent of B.C.'s capital infrastructure requirements, and without these partnerships, this amount of work simply could not be accomplished.

Under a public private partnership, taxpayers pay for the project, but only once the facility is built, and then pay is based on performance. Public private partnerships must demonstrate that public interest will be served and value for money can be achieved, otherwise the project does not proceed as a partnership. Public private partnerships must further provide some mix of the following benefits in order to deliver good value to government and to B.C. taxpayers:

- **Timely Delivery:** By taking advantage of private sector financing, government can build the infrastructure that B.C. needs more quickly, avoiding up-front capital costs and paying for infrastructure only when it is ready to be used. For example, Partnerships BC is currently working on projects with a total value of \$3.5 billion. Of that total, \$2 billion is currently in the form of private-sector investment.

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- **Risk Transfer:** In conventional government construction projects, contractors regularly pass along cost increases from schedule delays and overruns on materials and labour. Government must also pay to repair problems with ongoing operations and maintenance. Under public private partnerships – especially those in which the private sector commits to operate a new facility for a fixed period – the operator, not government, is liable for those cost risks. And if the private sector doesn't deliver, they don't get paid.
- **Innovation:** Private companies that are fully responsible for overruns have a greater incentive to innovate at every stage: through design, financing, construction methodology, and in operations and maintenance. That innovation accounts for a good part of the overall savings to government and results in better products and services.
- **International Investment:** These projects attract international financial investment into the B.C. economy, again freeing up domestic tax dollars for other priorities.
- **Job Creation:** Private sector investment creates jobs for British Columbians. Further, building infrastructure – such as roads and bridges – sets the stage for even more growth and opportunity.

In all projects, government retains ownership, control and responsibility. By setting standards through contracts and legislation, and by closely monitoring product service and delivery, government ensures that the public's needs are met – and that the public interest is served.

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