Revue Gouvernance
Governance Review

Transformative Change and Measuring Success: Public-Private Partnerships in British Columbia, 2001-2005
Changement de fond et mesure de la performance : les partenariats public-privé en Colombie-Britannique 2001-2005

Daniel Cohn

Volume 3, Number 2, 2006

URI: https://id.erudit.org/iderudit/1039118ar
DOI: https://doi.org/10.7202/1039118ar

See table of contents

Publisher(s)

Centre d'études en gouvernance de l'Université d'Ottawa

ISSN

1912-0362 (digital)

Explore this journal

Cite this article

Cohn, D. (2006). Transformative Change and Measuring Success: Public-Private Partnerships in British Columbia, 2001-2005. *Revue Gouvernance / Governance Review*, *3*(2). https://doi.org/10.7202/1039118ar

Article abstract

Public-private partnerships can be understood to be instruments for meeting the obligations of the state (things that there has been a strong social consensus that the state ought to do) that are transformed so as to involve private property ownership as a key element in the operation of the instrument. The word partnership is important and not just a euphemism for hiding a privatization (at least it ought not to be). Partnership means a relationship based on common goals where both entities share benefits and contribute resources over the long-term for mutual advantage and out of a sense of commitment. In a design-build-finance-operate (DBFO) public-private partnership, the state agency sponsoring the development hires either a single company (or consortium of companies) to, as the term suggests, meet the full extent of its public obligation by determining how best to meet the obligation, designing and building the necessary infrastructure and then operating it. This paper looks at the development of three DBFO public-private partnerships in and around Vancouver, British Columbia, asking what the likelihood is that the public will benefit from decisions to employ this procurement model. When using a definition of benefit that is broader than simply saving money, it is possible that these projects can provide greater benefits than a traditional public procurement, although the managers of two of the projects will likely face greater difficulties in doing so than the managers of the third one.

revue gouvernance
vendredi, le 4 mars 2016

Changement de fond et mesure de la performance : les partenariats public-privé en Colombie-Britannique 2001-2005

Vol.3, No. 2, décembre 2006, Page 1

Daniel Cohn

Les articles publies sur ce site le sont toujours dans la langue de l'auteur.

Introduction

In May 2001, the voters in British Columbia went to the polls and swept away a decade of social democratic public policies instituted by the New Democratic Party. Replacing the New Democrats in power was the BC Liberal Party of Premier Gordon Campbell, who not only won virtually every seat in the provincial legislature (77 of 79), but also a strong majority of the votes in every region of the province as well. The new government quickly settled down to a short-term agenda of increasing business confidence, by among other reforms, implementing an across the board 25 percent cut in personal income taxes (the provincial government's largest single revenue source). The financial crisis that resulted was then used over the long-term as a driver to not only cut government activity, but to encourage a rethinking of what the responsibilities of the provincial state ought to be and how the public sector ought to go about meeting these responsibilities (British Columbia Office of the Premier, 2001; V. Palmer, 2001; Willcocks, 2001). It was within this context of a majority government, enjoying strong popular legitimacy and determined to make the province more business friendly, a financial crisis, and a deeper drive to "re-invent government," that public-private partnerships (P3s) were introduced into British Columbia as an important option for executing large infrastructure projects.

The conditions present in British Columbia from 2001 to 2005 ought to be expected to create a substantial policy window that would facilitate transformative policy changes (Keeler, 1993; Kingdon, 1984). Whether or not the policy can be seen as successful will depend to some extent on how such success is measured. If success is measured by the number of deals that are signed and completed, then (given the size of the policy window and the context shaping it) it would be surprising if the policy were not as successful as it has been. There are now a handful of major P3s well underway in British Columbia, whereas in 2001 there were none. However, if one uses other standards, such as will the province and tax payers benefit? Then the answer might either be debatable or difficult to give until one further defines the term "benefit" and until the various projects each reach a greater state of maturity. One interviewee alluded to this when he cited an anecdote about the Marxist view of history. When Chinese Communist Zhou Enlai was asked whether the French Revolution had been a success, he replied that it was still too early to tell.

Nevertheless this paper will seek to make a prediction as to the benefit that the public might receive from three major P3s being undertaken in Vancouver and its surrounding suburbs. This prediction will be based on the conditions cited in the literature as to when P3s ought not to be undertaken and when they can be expected to produce meaningful advantages. The projects are the Richmond-Airport-Vancouver (RAV) rapid transit line,[1] the Abbotsford Regional Hospital and Cancer Care Centre, and the Sea-to-Sky Highway Improvement. This highway connects Greater Vancouver to the resort village of Whistler (which will host the Alpine and Nordic events for the 2010 Olympics). Evidence for this study was drawn from semi-structured interviews and correspondence that the author conducted with key actors involved in the three projects under study and others knowledgeable about the P3 market in British Columbia (see appendices). It was also drawn from government and private sector documents in the public domain and news accounts in the mainstream media and trade journals. In terms of news accounts, the Canadian newstand, Canadian Business and Current Affairs, and the ABI Inform indices and databases were searched. Whether documents or news accounts, searches were conducted using keywords derived from the terms "public-private partnership", "British Columbia", the names of the three projects and key actors (such as those interviewed) as well as combinations of those terms.

Nothing in this analysis takes into account the other difficulties involved in developing P3s that successfully meet the needs of both the public and investors, such as the high cost of bidding on major contracts, balancing the need of the state to enforce the contract while maintaining a strong working relationship with the private partners, devising a formula to fairly share any windfall profits among the partners that result from unexpected refinancing and accurately comparing a potential P3 to a hypothetically similar project undertaken as a traditional public procurement, just to name a few difficulties mentioned in the literature (Knight and Fox, 2004; Campbell and Harris, 1993; Taylor et al., 2001: 84; United Kingdom National Audit Office, 2002; Grimsey and Lewis, 2004; Vining et al., 2005). It should be noted that for the most part, the public sector actors who were interviewed indicated a strong awareness of these difficulties and steps have been taken to address some of these problems with varying degrees of success (see for

example Canadian Council on Public Private Partnerships, 2005; Partnerships BC, 2004: Schedule 31: 248; Partnerships BC, 2005a: 248). What this analysis provides is an estimated baseline or handicap that the management team for each project has to start from before dealing with these and countless other matters. The next section of the paper provides a very brief introduction to the topic of P3s and the specific form of P3s described here as DBFOs. This is followed by a section giving further background for the three projects under study and the public sector agency in British Columbia that is charged with coordinating P3 activities. The fourth section explores the projects according to the criteria as to when and when not to use a P3 model and the final section forms a conclusion.

P3s and DBFOs: unpacking the acronyms

Before proceeding further something needs to be said about the terms being employed. P3s can be understood to be instruments for meeting the obligations of the state (things that there has been a strong social consensus that the state ought to do) that are transformed so as to involve private property ownership as a key element in the operation of the instrument. By contrast, privatization occurs when public obligations are ended. Meanwhile, contracting out does not involve private ownership as a key element in the operation of the instrument. When contracting out, state actors can be substituted without any material change in how the instrument otherwise operates. The state still decides what is to be done and how it is to be done. The private partner merely offers to do the work. The word partnership is important and not just a euphemism for hiding a privatization (at least it ought not to be). Partnership means a relationship based on compatible goals where both entities share benefits and contribute resources over the long-term for mutual advantage and out of a sense of commitment. Supporters of P3s, those who are more ambivalent, and active opponents all agree that this is how the word partnership ought to be used when describing P3s, though they differ on the degree to which they believe the model can actually meet this promise (Brewer and Johnson, 2004; Rouillard et al., 2006: 75; Vaillancourt Roseneau, 2000: 219).

In a P3, public and private actors are supposed to form a long-term partnership to meet an outcome selected by the public actor (e.g. improvements to information management within a governmental agency or improvements to health delivery in a given area). However, unlike a traditional contracting relationship, the private partner in a P3 is generally involved in developing how the solution sought by the state ought to be delivered and operate. As well, the need for the private partners to make a profit is deliberately designed into the structure of the project (Cohn, 2005). For example, in a traditional public project, the state might decide population increases in a given area necessitate the construction of a new hospital. Therefore it hires various private firms to build it to government specifications and a blue print created by a separate design competition. It might even choose to contract out the operation of the building, leasing it, rather than owning it, and paying others to maintain it. But in a P3, the private sector is imbedded in the very genesis of the project as the state begins the process by asking private parties to come up with ideas as to how best to meet the need for hospital services in the area and might not even specify that the solution must include a completely new building. Genuine P3s also tend to differ from purely market activities in that they usually enjoy some form of spatial or functional monopoly (N.A. Engineering News Record, 2002). If the service could be provided on a competitive basis, there would be little need for state involvement. Therefore, advocates assert, not only must the state accept the embedding of the needs of private parties in operation of a P3, but the private parties must also accept the embedding of a public service ethos that is generally absent from business (Brereton and Temple,1999). While the ideal behind P3s is commendable, even those who are supportive of P3s such as Brewer and Johnson (2004) and Taylor et al. (2001) acknowledge there is still a way to go before partnering lives up to its potential.

The degree to which each partner is obliged to contribute and receive rewards in a P3 is said to be based in the size, severity, and types of risks each assumes so as to bring the project into being and to operate it (Taylor et al., 2001: 40). In other words, risk (at least in theory) is the measuring stick by which the social relationships embodying P3s are valued, rather than the usefulness of the instruments that are being created to meet the state's obligations to society. The estimated savings achieved by risk-transfers are often used to explain how the public benefits through the employment of P3s (Akkawi, 2001; Ball, Heafey and King, 2004). In one major study from the U.K. such savings represented the bulk of the financial benefit the state achieved by using P3s (Arthur Anderson and Enterprise LSE, 2000).

This author has shown elsewhere that although the state can possibly save money on one project (or over the short-term) by transferring risks to private parties, this is impossible over the long term. As a result, when risk transfers are monetized and listed as a savings that is being created by using a P3 model, such transfers are in fact a bit of a fig leaf to hide the higher cost involved when private property is used to meet state obligations (Cohn, 2005). However, costs (whether capital or operating in nature) are just one of the factors that contribute to the useful value (i.e. benefits) that the state and public enjoy from a project. Others, for example, might be timely completion, certainty in terms of costs (even if they are higher), certainty in terms of designed capabilities, or knock-on-effects in other sectors of the economy. Even the esthetic beauty of the completed project might be described as adding to the useful value of the project. Admittedly, however, critics might describe esthetic differences as "gold-plating" or waste if they increase costs. Second, it is important to compare P3s to the correct benchmark. That benchmark is not perfection but the record achieved by more traditional procurement models. British Columbia's newspapers have recently carried stories regarding the expansion of Vancouver's convention centre. Initially, the provincial government had tried to develop this as a P3, but it could not reach an agreement with the preferred bidder. Consequently, it is being

executed as a traditional public development project and is over-budget. Part of this over-run has been attributed to "scope-creep," the ability of groups to extract concessions from the government that expand the project (Palmer, 2005). Scope-creep and other design changes are far less likely in a P3 once a final contract with a private partner has been signed. When they do happen, the model can make the source of cost changes clearer and aid in the assigning of accountability for them (see for example Richmond Airport Vancouver Rapid Transit Project, 2005). Therefore, while noting that his own skepticism is a matter of public record, the author proposes that the reader join him in keeping an open mind as to useful value that the state and public can derive from P3s.

The term P3 (even when defined as above) still covers a wide-variety of models. This paper is concerned with the most prominent form of P3s, "design-build-finance-operate" projects. In a such a project, a private firm is engaged to deliver a service and all needed infrastructure for either a regular lease payment or subsidy, the right to collect revenue from the service, some alternative payment (for example, the right to use land freed up as a result of redevelopment), or some combination of the above. Most of the hospitals built using a P3 process in the United Kingdom are of this type (Canadian Council for Public-Private Partnerships, 2003: 29). These contracts tend to be too big and complex for any one company to undertake. Therefore, consortiums of companies with expertise in different areas (such as the various aspects of construction involved, facilities management and finance) form to bid on them. The partners in these consortiums usually create a special purpose corporation that will carry out the project if their bid is selected. Given the scale of such undertakings, DFBOs also tend to involve very long-term contracts, sometimes for the entire estimated useful life of the infrastructure or the estimated time until it will need substantial refurbishment. In that the competing consortiums are offering rival plans on how they would help the state fulfill its obligations, rather than simply tender to build something pre-designed by the state (Calder, 2004; Macquarie North America, 2001: 4-5), the competition is about more than just price. For example, if one design leaves greater potential for future expansion and another provides for easier reconfiguration from the intended use to other uses, and a third still has the absolute lowest cost, then the selectors will have to determine which of those factors overall provides the most benefit.

It should also be pointed out that the ownership structure of the special purpose corporation created by consortiums pursuing a DBFO opportunity can change over time. Partners who invest in, and assume risks so as to create a winning bid might choose to cash out in whole or in part once the risks associated with the bid, and/or construction phase, are completed. Others might fully intend to stay but run into a business situation that causes them to shed assets. One interviewee tackled this potential contradiction between the partnership ethos and business reality head on. The interviewee observed that for developers, a building is not an asset – it is a liability. In most cases, they believe that the sooner they can profitably cash out, the better. For those who finance DBFOs, a common way to cash out is to convert the loan that they have made into a bond issue. Another increasingly common strategy in Canada might see ownership in the project sold to an investment trust.

As the above illustrates, and as with most theoretical constructs, the long-term nature of the partnerships that are involved in DBFO P3s are a bit of an artifact. It is true that the state enters a long-term partnership with the special operating corporation. However, some of the partners who are touted as the owners of this corporation in the press releases, etc., that are used to convincing the public that the project will be properly executed, might be gone as soon as the ribbon cutting is done, or even sooner. Therefore, it is essential that the project agreement between the state sponsor and the special purpose corporation be properly worded so as to ensure that whoever ends up owning the special purpose corporation, they are held to the same standards that it was assumed the original owners would meet. Another eventuality that must be considered is any unexpected gains from re-financing. Contracts must contain language to ensure that these are shared with the state sponsor proportional to its contributions. Some of the strongest and most appropriate criticisms of British DBFO P3s have emerged over the poor public management of these issues (United Kingdom National Audit Office, 2002). Most interviewees questioned about these matters appeared to be aware of the potential difficulties involved. Evidence also indicates that there has been some policy-learning from the British experience (and that of other countries as well, such as Australia). Clauses inserted in contracts seem specifically aimed at addressing the sort of problems discussed above (see for example Partnerships BC, 2004: Schedule 31 and 2005a: 248).

Conditions that favour the DBFO P3 model

Public capital is a scarce asset. By reducing the demands for public capital, DBFO P3s can help conserve it for projects that can only be undertaken as traditional public procurements. However, affordability (the idea that the project cannot be funded out of government revenue given its preference for tax and debt levels) ought not to be used as a reason for engaging in P3s. This is because P3s don't in and of themselves reduce the costs of a project, they only shift them from capital payments, money government must spend up front to build something, to operating costs, money government must spend to run or lease something. Nevertheless, as one private executive who was interviewed for this project observed: This question of being able to afford what they want to build, right now, in spite of their chosen fiscal and budgetary policies is often why government's turn to P3s. Similarly it is inappropriate to blindly engage in P3s with a belief that private actors can always produce better projects and operate them better and at lower cost than public actors (Keenan, 1999). If the affordability of a specific project and ideology ought never to be used as a reason to justify a P3, what factors should recommend their use? Here the literature also provides

guidance. P3s can lead to better projects that produce greater value for money than a traditional public procurement when private actors can contribute knowledge, skills or economic leverage that the public sector lacks, or given the known proclivities of state and market, the private partner has stronger incentives to successfully perform some tasks than does the state. Similarly, they can lead to better projects than a straight private provision when the service is such that it cannot be provided on a genuinely commercial basis for either economic or political reasons (Taylor et al., 2001; Grimsey and Lewis, 2004; Beato and Vives, 1996: 3). Based on Taylor et al.'s (2001) extensive study of P3s in the United Kingdom, three factors in particular seem to stand out as indicating the private sector can add value to a project:

- there is in existence a viable market and substantial private expertise in dealing with the infrastructure and services that the private partner must provide;
- the infrastructure and services that will be undertaken by the private partner tend to be those that do not involve large amounts of contact with individual members of the public and finally; and
- ensuring proper maintenance and upkeep of the infrastructure is politically difficult if done as a conventional public project as it lacks a high priority with the public.

Finally, although some skepticism has been expressed as to whether risk-transfers can lead to meaningful savings, it should be acknowledged that the process of clearly specifying meaningful risks that might impact on a project, and which is integral to the process of evaluating P3s (Akkawi, 2001), has merit on its own. If done rigorously and reported honestly, it ought to prevent the creation of proverbial white elephants (projects not critical to state obligations) and black holes (projects that require far more funding than budgeted to build and/or operate so as to successfully meet state obligations). This does not mean that the P3 process makes risky projects less risky or expensive projects less expensive, only that it requires state sponsors to acknowledge these issues up front. This helps facilitate transparency and accountability. In general, the more complex the risks associated with a project are to assess and the more difficult to assign to any one party, the harder these analyses are to conduct in a meaningful manner and the less appropriate it is to undertake the project as a P3.

As will be seen, a strong argument can be made in favour of undertaking only one of the projects under study here as a P3 on these grounds (the Sea-to-Sky Highway Improvement). Given this confluence of factors, it is predicted that the managers of the other two projects will face significant challenges in creating a successful project that provides significant useful value above what could be realized with a traditional public procurement. Although, as noted above, only time will tell if this prediction is accurate. Still, such a prediction should be taken with a healthy grain of salt because the suitability of projects for development as P3s is very idiosyncratic and has to be evaluated on a case-by-case basis. In this regard something ought to be said about certainty. This was a point made by several of the public sector executives and local officials. The P3 model ensures that vitally needed infrastructure will actually get built. This is because the provincial government's funding obligation is locked in through a contract with private business, making it next to impossible for the province to back out. While legally the provincial legislature can annul such contracts, doing so always carries enormous political risks. On the other side, even if costs are higher with a P3, they are similarly certain as they are guaranteed through the contract with the private partner.

The projects under study and Partnerships BC

The present paper focuses on three large "design-build-finance-operate" P3s. The projects are the Richmond-Airport-Vancouver (RAV) rapid transit line, the Abbotsford Regional Hospital and Cancer Care Centre, and the Sea-to-Sky Highway improvement (this highway connects Greater Vancouver to the resort village of Whistler and the communities in between). All three of the projects are located in the Lower Mainland region of British Columbia (Greater Vancouver and its surrounding communities).

At the time of writing, all three projects are roughly at their half-way points in their development, private partners had been selected and construction had commenced. Financially speaking, the projects have the following presently estimated costs to the public: $1.5 billion for the RAV line ($1.35 billion for the P3 plus $150 million in associated work), $1.6 billion for the Abbotsford Hospital ($424 million up front plus annual lease payments), and $790 million for the Sea-to-Sky Highway (Partnerships BC, 2005a, 2005b and 2005c; Greater Vancouver Transit Authority, 2004a). The Sea-to-Sky Highway is under the charge of the Ministry of Transportation, the Abbotsford Hospital is being undertaken by the Fraser Health Authority (FHA) in partnership with the Provincial Health Authority which provides cancer care. Both agencies are at arms-length from the Ministry of Health Services. Meanwhile, the RAV line is a joint-project of two autonomous local governmental agencies: the Greater Vancouver Transit Authority (GVTA) and the Vancouver International Airport. The GVTA's relative autonomy from the province is further enhanced by the elected status of the mayors and city councillors that comprise its board.[2]

According to interviewees, two of the three projects studied here were undertaken as P3s at least in part due to doubts as to their affordability without private contributions and/or pressure from the provincial government (The RAV line and the Abbotsford Regional Hospital and Cancer Care Centre). Based on publicly available comments and

accounts, this pressure appears to have been motivated by the provincial government's ideological agenda, which might also indicate that these factors were involved in the decision to undertake the Sea-to-Sky Highway improvement as a P3. This impression was re-enforced by one of the private sector executives who stated that although they should not do so, governments seem to turn to P3s when there is no other way to create what they want to build, while respecting the budgetary limits that they have set for themselves.

All three of the projects that are being looked at in detail in this paper have been on the wish list of local business, social and civic leaders for many years and in some case decades. In this day and age, whether one speaks of Canada in general, or British Columbia in particular, transit, hospitals and safe highways can all be described as obligations of the state. Although some observers might question the priority that each of these projects ought to have, while others might insist DBFO P3s are not the correct format for pursuing them, and others still might take objection to the designs and plans that were ultimately devised, few credible observers would describe any of the three projects under study here as undesirable or unnecessary. This section provides some important background details regarding each of the three projects and also introduces readers to Partnerships BC, the provincial agency responsible for promoting the P3 model, as well as for advising provincial agencies, and those agencies accountable to the province on how best to use P3s.

Partnerships BC

The idea of introducing P3s as an option for building infrastructure and providing services in British Columbia predates the election of the BC Liberals. In the middle of the 1990s, the New Democrats created a task force to study P3s (British Columbia Task Force on Private Public Partnerships, 1996), issued some documents encouraging ministries and local governments to consider P3s (British Columbia Ministry of Municipal Affairs, 1999), and even oversaw the creation of a few small projects.[3] However, according to one interviewee, major projects failed to get off the ground because the previous government had little interest in exploiting the model. When opposition arose or technical difficulties were encountered with a project, the New Democrats found the easiest solution was to abandon the idea of using a P3 and revert to a more traditional form of procurement (see for example Macquarie North America, 2001: 1).

The same reluctance plagued the early attempts of the BC Liberals to undertake major P3 projects. Consequently, warnings began to emerge that the province was acquiring a reputation as a poor location for investors interested in P3s (Lewis, 2004). The solution involved two parts. The first was the introduction in the spring of 2002 of a new set of guidelines governing the steps required before the province would consider new requests for capital funds (British Columbia Finance Ministry, 2002). Among other rules, the new Capital Assets Management Framework requires that consideration be given to alternatives that would reduce the need for provincial capital to the minimum feasible level consistent with the organization's objectives. Second, all evaluations must take into account the anticipated lifetime costs of maintaining the capital assets in serviceable condition and the risks involved in owning the asset as opposed to accessing them through an alternative arrangement. In terms of policy direction, the Capital Asset Management Framework sends an unmistakable message to public servants. Not only is the Campbell government now seriously interested in alternative service delivery arrangements (such as P3s), but each agency has an obligation to report if there are feasible alternatives to traditional capital projects every time they deal with such issues. Consequently, public servants who might not have previously invested too much time canvassing such options, due to their uncertainty as to how recommendations involving alternative service delivery would be received, now have every incentive to seriously consider them.

The second reform (also in the spring of 2002) was the creation of a new agency, Partnerships BC, to act as an advisor on major P3s and as a champion for the process within the provincial state. Structured as a crown corporation with its own board of directors at arms-length from the government, Partnerships BC can perhaps best be described as an in-house consultancy. Partnership BC has been modeled after a similar agency in the UK. The new agency has received start up funds and an annual operating grant from the province. However, unlike the British agency, the grant is only temporary and Partnerships BC is supposed to increasingly earn its keep by selling its services to government ministries and public sector agencies, eventually becoming self-financing. Consequently, it must temper its enthusiasm for P3s with an honest assessment of their strengths and weaknesses. Otherwise, few will agree to pay for their advice (an expense each minister must justify in their budget requests and performance reports). A second check on doing deals, for the sake of doing deals, or to flog the model is the requirement that Partnerships BC's staff submit the business case for each project they wish to become involved with to the agency's Board for approval. Chief Executive Officer Larry Blain, who was appointed roughly a year after the agency was founded, perhaps best demonstrated this balanced approach when he was introduced to the public at one of the province's "open cabinet meetings."[4] Blain took the opportunity to warn the assembled Cabinet that P3s are not a silver bullet and that few capital projects (20 percent or less) would likely be suitable candidates for the model (Province of British Columbia Executive Council, 2003). One of the most important services Partnerships BC is performing so as to further the use of the P3 model in British Columbia is the development of standardized bidding procedures, agreement language and definitions of terms so as to reduce both complexity and costs for both bidders and state sponsors. In a wider sense, it is becoming a repository for the intellectual property that the province develops by engaging in P3s, assets that can be used to lower the costs of subsequent projects.

Previously it was noted that a systematic approach to specifying risks has benefits in and of itself, in terms of helping to make debates about the merits of given projects transparent, and in terms of holding decision makers accountable for taking risky decisions or failing to budget for the full costs of projects and thereby sticking the public with white elephants or black holes. In this sense, the creation of the Capital Assets Management Framework has to be cautiously welcomed, as must the creation of a state agency with the expertise to advise public actors on the complicated analyses involved in executing the rules that it contains. However, only one of the projects understudy here benefited fully from the imposition of these rules (the Sea-to-Sky Highway improvement) as plans for the other two projects were too far underway by the time it was introduced.

The Abbotsford Regional Hospital and Cancer Care Centre

Late in 2001, health care in British Columbia was reorganized by the BC Liberal government. Five very large geographically based health authorities and one province-wide authority (providing highly specialized care such as advanced cancer treatments) were created. The lower mainland now has two such authorities, Vancouver Coastal and the Fraser Health Authority (FHA). The FHA was created by merging three existing authorities serving the southern and eastern suburbs of Vancouver and the rural hinterland of the Fraser Valley, which contains a population of approximately 1.5 million residents. This population is expected to grow by at least ten percent by 2010 (Fraser Health Authority, 2005: 3). According to one interviewee, alongside of successfully completing this merger, the managers of the new health authority were required to reduce anticipated spending by about $130 million so as to meet the restraint targets set out by the government. The FHA initiated a major clinical redesign to allow it to meet this goal as best as possible. The initial plan anticipated closing roughly 40 percent of existing acute care beds and replacing them with chronic care and home care services (Professional Association of Residents British Columbia, 2002).

For two decades, provincial governments of various political stripes had been promising to replace the hospital in the fast growing city of Abbotsford. Given the competing demands of operating expenses, not only maintaining hospital buildings is difficult, but replacing them is more so. Interviewees agreed that the existing hospital building in Abbotsford had outlived its useful life. Consequently, a new hospital for Abbotsford became one of the top capital priorities for the newly constituted FHA. This was endorsed by the new Liberal government, as was the idea of expanding the proposal to include a new regional cancer care centre (British Columbia Ministry of Health Services, 2003).

In the fall of 2001, the now defunct Fraser Valley Health Region and BC Cancer Agency had commissioned PricewaterhouseCoopers to provide an evaluation as to whether the proposed hospital and regional cancer centre would be a feasible DBFO P3. The report was cautiously optimistic. However, it suggested that meaningful savings were not realistically to be expected by employing a P3 model. The report estimated that a savings of approximately 1 percent could be achieved if everything went smoothly and the estimated monetized values of the risks transferred to the private sector were accurate. If the government was willing to allow not only for the for-profit provision of maintenance, support services and building management, but also some for-profit delivery of health care services (which it was not), then it was estimated that savings would be around 5 percent.

An important element in such analyses of risks is the “discount rate” which the consultants pegged at a real 6 percent (PricewaterhouseCoopers, 2002).[5] When consultants and public managers analyzed the potential costs involved with a DBFO P3 with a fixed price, they create a financial model for a hypothetical and more traditional public procurement to compare to the P3. As part of this exercise, they adjusted the costs of this public comparator upwards by the amount of the discount rate. One way to think about discount rates it that they reflect the risks of inflation and similar future cost pressures that the state believes it can avoid by engaging in a DBFO P3 with known future costs rather than a more traditional public procurement. The above noted discount rate of a real 6 percent was the one commonly used in the United Kingdom at the time PricewaterhouseCoopers did their report (Grout, 2003: C63). However, many saw it as unreasonably high and in the spring of 2003, the British government lowered the usual rate to a real 3.5 percent (Byers, 2003; HM Treasury, 2003:81). Nevertheless this rate was retained when Partnerships BC did its value for money assessment on the project (Partnerships BC, 2005b).

According to interviewees, the members of the FHA board, some of whom had substantial expertise in private sector finance and real estate development, were not won over by either the consultant’s report nor other arguments made in favour of a DBFO P3. They instead recommended a design-build contract with more traditional public financing and operation. In part they were skeptical that a privately managed facility could cope with the service demands patients place on a hospital. An even greater concern was that the savings that are usually produced by competitive bidding would not emerge. Although many support services in Canadian hospitals are contracted out, there have been very few hospital buildings that are managed in total by for-profit operators. In conjunction with this, the FHA board felt that the facility being contemplated would be too small to generate returns on a scale sufficient to attract widespread interest among the firms with the expertise to execute such contracts, given the costs involved in bidding and the risks. At this point the provincial government ordered the board to accept the project as a DBFO P3 or face removal. Either way, the province had lost confidence in the ability of the FHA board to lead the project and transferred responsibility for executing the project and some of FHA staff members to Partnerships BC. Subsequently, an operating company was set up to manage the relationship with the successful proponent, which will be at arms-

length from both the FHA and the Provincial Health Authority.

Some insight into why the government made the decision to override the FHA can perhaps be gained by an interview that the then-Finance Minister, Gary Collins, gave to a trade journal regarding the Abbotsford Hospital. He is reported to have said that the project was not only important as an individual health facility but also for the future of the P3 model in British Columbia. Some projects had to be first and the Abbotsford Hospital was seen as a good candidate. This was not only because of its attributes, but also because of the strong support that voters in the area had shown for the government. He is said to have told the reporter that this reduced the political risks involved as there was little likelihood that voters would change allegiances if the project were to turn out badly (Goldsworthy, 2002).[6] In the end, the fears expressed by the FHA board did come to pass when one of the two finalist consortiums declined to submit a bid, leaving Partnerships BC with an uncontested "best and final offer" stage of the proposal process (Leslie, 2004). From 2001 when the project was first given the go ahead to the day the contract was signed with the private proponents costs increased substantially to the present $424 million up front cost plus total lease payments of $1.2 billion over thirty years, excluding various adjustments (Partnerships BC, 2005b). However, it is difficult to interpret this as being a budget overage. This is because the project scope was also substantially increased by the new government before calling for proposals from potential proponents.

The RAV line

Discussion of a rapid transit line that would connect the Vancouver suburb of Richmond and the international airport (which is located in that city) to Vancouver began at least as early as the summer of 1989 (Lee, 1989). In the subsequent years, little was done to bring the plan to fruition, however, local government received a new structure. The Greater Vancouver Regional District was created and given responsibility for regional transit and major roadways. These issues were delegated to its transit authority, the GVTA (see note 2). Vancouver's ultimately successful bid to host the 2010 Winter Olympic Games restored interest in the RAV line. It became the GVTA's top rapid transit priority when the province committed its own funds to the project and its resources to lobbying Canada's federal government for further support (Greater Vancouver Regional District, 1999; McMartin, 2003). One interviewee observed that from the time interest in the project was revived, it was clear that private financing would have to be involved as it was unlikely that enough money would be available exclusively from public sources. In January 2001 (roughly six months before the BC Liberals took power), the GVTA commissioned a consultant's report to explore the feasibility of building the RAV line as a P3. As with the report on the proposed Abbotsford Hospital, this one was also cautiously optimistic. However, several challenges were noted and it provided no real estimates as to how a P3 might impact project cost. One reason for this caution was because, at the time, very few transit DBFO P3s existed in North America (Macquarie North America, 2001).

An arm's length company, Richmond Airport Vancouver Rapid Transit Project Ltd, was created by the GVTA with the purpose of pursuing the RAV line as a DBFO P3. The company was subsequently renamed Canada Line Rapid Transit Inc as the project evolved. Although it is a subsidiary of the GVTA, the company also has representatives nominated by the Vancouver International Airport, the province, federal government, and the two cities of Richmond and Vancouver on its board, some as voting members and others as ex-officio. In the summer of 2004, the project nearly died when the GVTA's board of directors refused to authorize the "best and final offer" stage of bidding. The board took this decision because both of the finalist consortiums had produced cost estimates well over the GVTA's approved expenditure of roughly $1.35 billion. At this point, the province stepped in and offered financial inducements to get the project moving, including a sizeable contribution towards another rapid transit project planned by the GVTA. Nevertheless, the GVTA board voted down the project a second time and only authorized it on a third vote after further provincial cajoling and after an agreement was reached that reductions would be made in the scope of the project so as to stay within $1.35 Billion. It was also agreed that the whole project might be scrapped if it could not be viably done within the available funding envelope (Campbell & Falcon, 2004; Greater Vancouver Transit Authority, 2004b; Lee, 2004; Skelton, 2004). The winning bid did exceed this number, necessitating the previously approved scope reductions. As well, some of the capital and operating costs necessary for producing a successful project that were supposed to be assumed by the private partner reverted to the public (Greater Vancouver Transit Authority, 2004a; Jacobsen, and Plewes, 2004). In other words, the costs of the project will exceed the limit set by the GVTA's board. However, these excess costs will be carried on other budgets so as to meet the letter of the third resolution. A full value for money report was published in the spring of 2006 and it is noted that, once again, the relatively high 6 percent discount was again used (Canada Line Rapid Transit, 2006: 24).

Even with this report in hand, there is still a good deal of uncertainty as to what the final bill will be for the project (Canada Line Rapid Transit, 2006: 8). Public transit is generally unprofitable and usually requires some form of public subsidy. The degree depends on ridership volumes which are notoriously difficult to predict when a project is in its planning stages. Reports done for the RAV line had margins of up to 20 percent (Jacobsen, 2003: 11). Further complicating the use of a P3 model is that transit is a service that is provided directly to each user, who can generally choose other means of transport and who can be put off by actions of either the public or private partner. In many cases, determining which party is accountable for under-performance will not be clear. For example people may stay away if the stations are unclean (a private partner responsible in the case of RAV), or if the buses that connect to it are not on time (a GVTA responsibility). But what if they come to perceive the transit system as a whole is susceptible

to crime? Given these complications and the unpredictability of ridership, the GVTA will have to pay additional subsidies to the private partner if the agreed ridership forecast is not met (Jacobsen and Plewes, 2004: 14). Consequently, even if the Capital Asset Management Framework process for specifying and analyzing risks had been in place and employed, it is unclear if a project such as this would be amiable to it as the risks themselves might be too difficult to accurately analyze. To their credit, the RAV line's managers and those at the GVTA never hid these difficulties in specifying and analyzing ridership risks; they did the best they could. However, the wide margins involved in risk specification and lack of clear reasons for risk assignment make this project a difficult candidate to undertake as a P3.

A benefit associated with using the P3 model is the deferred maintenance difficulty that is a challenge for public entities. At first sight, this benefit might not seem applicable to the same degree with a project such as RAV. Most aspects of transit operations must meet externally set standards (such as prescribed by federal and provincial government agencies). However, this is not as sure a guarantee as it appears. Such agencies tend to have a "tombstone" mentality, investigating after an accident not proactively hunting violations. Furthermore, evidence from the 1995 subway collision in Toronto (which claimed three lives) shows that transit authorities are not immune to the mentality that places meeting public demands for expansion and improved services ahead of safely maintaining existing operations and infrastructure (Hall, 2005; Ross, 1996).

The Sea-to-Sky Highway improvement

One of Canada's most picturesque roads, the predominantly two lane, Sea-to-Sky Highway is also subject to a large number of hazardous conditions through much of its length. Some of these are a result of human behaviour, others are natural in nature. In recent years, the highway has produced an accident rate which is noteworthy both for its volume and the typical severity of the crashes (British Columbia Ministry of Transportation, 2004). Once again, it was the advent of the 2010 Winter Olympics that moved the idea of upgrading the highway from wish to reality. The present highway can not safely accommodate the anticipated flow of traffic that the Olympics will bring to the region. Therefore, part of the British Columbia government's support for the event was a commitment to spend $600 million to upgrade the road (Vancouver 2010 Olympic Bid Committee, 2002: 67; British Columbia Ministry of Transportation, 2004).

Whereas in the other two cases the state sponsors issued a set of outcomes they needed to achieve and required elements that proponents had to include, and then invited the competing teams to develop the best project at the lowest price, in this case the process was reversed to some degree. The Ministry of Transportation announced how much money it had to spend and asked bidders to tell them how much highway they could afford, with the bids being evaluated on a series of criteria above and beyond minimum standards and design elements required by the Ministry in areas including:

- safety
- improved mobility along the corridor
- construction traffic management
- environmental management
- commercial and financial considerations
- estimated hand-back value at the end of the lease (British Columbia Ministry of Transportation and Partnerships BC, 2004: 35)

Interviewees indicated that they were pleasantly surprised by the degree to which the three qualified consortiums that submitted bids exceeded their minimum requirements.

While almost all interviewees expressed satisfaction with the progress being made on the project that they are involved with, public sector executives working on this project expressed the greatest satisfaction. This can be attributed to a number of factors including both organizational features and the nature of the project itself. Unlike the other projects, this one did not involve either an autonomous or an arms-length agency as a state sponsor. It was directly undertaken by the ministry financing the project itself. Second, both public and private actors in the highway sector already had substantial experience in longer term operating contracts. Maintenance on many highways was outsourced several years ago in British Columbia and in many other jurisdictions as well. Third, although communities are often deeply involved in consultations over highway construction and modification, the actual project once operating, involves very little direct contact between the operators and road users. Therefore, management of the contract presents far fewer complications. Further, as one private sector executive noted, highways are particularly susceptible to lapses of maintenance when publicly owned as wear tends to be unnoticeable to the public until it is too late. Then enormous outlays are required to restore these roadways. Consequently, governments tend to divert money from maintenance to other uses where public demand is greater, but tend to overpay in the long run when roadways wear out prematurely. A private operator who is contractually obliged to meet a specific standard of repair

has a different incentive structure. Finally, this project was one of the first subjected to the full scrutiny involved in employing the government's Capital Assets Management Framework. This ensured that there was a systematic inquiry into the risks involved that surpassed the methods used in the other two projects. As a result, the managers could be confident of facing fewer surprises than managers on the other two projects.

However, the satisfaction expressed by the managers of the Sea-to-Sky Highway improvement could not mask the fact that while the P3 process might have produced a better project, the costs involved had grown substantially. When the "value for money" report on this project was released, it was revealed that the government's initial commitment of $600 million had grown by nearly a third to nearly $790 million. Once again the public sector comparator model also seemed to include a very high discount rate, this time of 7.5 percent, which is 25 percent greater than the already steep discount rate used in the Abbotsford Hospital project and the RAV line. Similarly, much of the hypothesized savings produced by the P3 model related to hypothesized risk-transfers (Parnerships BC, 2005d).

Evaluating British Columbia's experience with P3s

As noted previously, there were certain elements of the BC Liberal government's agenda and behaviour that could be expected to produce difficulties in using the P3 model. Specifically, its budgetary policies and desire to build a more business friendly climate created a situation that might have led to the pursuit of deals for reasons other than the usefulness and value they held for the state and taxpayers. In two of the three cases, the proposed projects ran into trouble when local decision makers indeed found that they lacked sufficient value. In one case, the RAV line, the provincial government cajoled and pressured these decision makers to change their minds. In the other case, the Abbottsford Regional Hospital and Cancer Care Centre, they overruled objections and ordered the project to proceed. Nevertheless, the three projects under study here are, by the accounts of most of the interviewees, proceeding relatively smoothly even if over budget, or only classified as a success financially due to over generous discount rates and a reliance on risk-transfers to justify costs. Table 1 summarizes what we know about the financial situation of the three projects.

Table 1. Financial details of the three projects

	Abbotsford Hospital & Cancer Care Center	RAV line	Sea-to-Sky Highway upgrade
Total public sector commitment	$424 million + annual lease payments of $1.2 billion over 30 years	$1.35 billion	$789.8 million
Total public sector commitment compared to budget	Probably on budget	$150 million in costs reverted to public to "make" budget	$189.8 million over budget
Discount rate employed in project	6%	6%	7.5%

As also noted previously, there are other sources of value besides price. Among the benefits of using the DBFO P3 model that was most frequently mentioned by interviewees was certainty. This was expressed in a number of ways but often came back to either protection against rising costs or provincial government cut-backs once the project agreement was signed with the private proponent. One interviewee comparing the certainty of a DBFO P3 to a traditional procurement made reference to the province's Highway 91. Intended to be a superhighway, it instead became something of an arterial roadway. Due to cost increases during construction and provincial budget difficulties, some of the on and off ramps could not be completed. Therefore, these interchanges were left with stoplight control.[7] This might be seen as the opposite of scope creep – scope shrinkage. It must be said that DBFO P3s are not immune to either scope creep or shrinkage. However, they do reduce its potential to disrupt projects and make it more likely that when it does happen, those responsible will pay the penalty for causing it. For example, the city of Vancouver requested that an additional station be added to the RAV line and was required to pay for this out of its own funds, rather than the costs being absorbed by either the GVTA or the private partner (Richmond Airport

Vancouver Rapid Transit Project, 2005).

Another frequently cited benefit was that the DBFO P3 process allowed the public sector to capture a great deal of knowledge from private sector experts that might not come to the fore in a traditional project. This is not only a question of bringing more minds to the task and accessing a wider range of expertise. There is also a logical problem in traditional public sector projects where design, construction and finance are handled in a disaggregated manner, with each private partner bidding only on its own part of the project. One interviewee noted that if private sector construction companies are asked to bid on a project designed by someone else, to be financed by someone else, and owned and operated by yet another party, they are not going to waste time and money thinking about how to do a better project. If they do, their costs will be higher and they will lose the bid.[8] By specifying outcomes that had to be achieved, and then leaving the consortiums bidding for the contracts to devise the best solutions for achieving these outcomes, to as great a degree as possible, interviewees involved with all three projects believe substantially better projects have been developed. To this end, all of the projects took steps to better harness private sector knowledge. An example was the issuing of multiple iterations of the "requests for proposals" and/or "output specifications". The initial versions were revised after consulting with the qualified bidders and gaining some insight into the information contained in these very large documents that posed unnecessary difficulties or barriers to innovation.

Can these and other benefits be captured by the public sector managers supervising the three projects so as to produce better, though not necessarily less costly projects? To answer this it is perhaps best to consider these projects in terms of the factors that make the meeting of a given state obligation more or less conducive to the use of the P3 model. As will be recalled, four factors in particular seem to stand out as indicating the private sector can add value to a project: There is a viable market and substantial private expertise in the area covered by the P3. The project does not involve large amounts of contact with individual members of the public and there is difficulty in ensuring proper maintenance and upkeep when the activity is managed as a traditional public project (Taylor et al., 2001). Finally, there has to be a possibility to ensure an honest, realistic and systematic assessment of risks and a process in place to do this so as to ensure transparency and accountability. The second last point was particularly stressed by the private sector executives interviewed for this project as being a serious risk in most projects run by the public sector. Simply put, maintenance is not very sexy, especially if it is done preventatively before problems arise. Table 2 summarizes these factors for each of the three projects.

Table 2. When does the P3 model especially make sense

	Abbotsford Hospital & Cancer Care Center	RAV line	Sea-to-Sky Highway upgrade
Private sector has volume or experience			X
Maintenance politically problematic	X	X	X
Project involves low level of individual customer service			X
Ability to assess and analyze risks and process in place so as to create transparency and accountability			X

As can be seen, the Sea-to-Sky Highway improvement is the only one of the three projects that fits each of the four situations that particularly recommend the use of the P3 model. In the case of the Abbotsford Hospital and Regional

Cancer Care Centre, past experience had shown that not only was maintenance difficult to achieve, but that the building itself had long since surpassed its useful life. However, other governmental priorities kept drawing away funds and the construction of a new building was deferred for almost 20 years. In the case of the RAV line, the maintenance issue was also the only one that would recommend a P3 solution. In the case of both projects there is little private sector experience to draw on, a high need for customer interaction and difficulties in the risk specification process. Not only did both projects precede the introduction of the systematic risk evaluation processes contained in the Capital Assets Management Framework, but both also had difficulties with the risk evaluations done. In the case of the Abbotsford Hospital, the FHA board found them inadequate; in the case of RAV, the ridership analysis has such wide margins of error as to make it difficult to evaluate. This does not mean that the public servants working on these two projects will be unable to realize the benefits that the P3 model is said to hold in terms of producing better and more certain projects. However, they are likely starting with a decided handicap compared to their colleagues working on the other two projects.

Conclusions

There can be little doubt that the BC Liberal government has indeed managed to carry out its desire to see the model employed and there are now several major DBFO P3s under way in the province. However, this ought to be of little surprise as this government was elected with an almost complete majority (77 of 79 seats in the legislature) as well as a solid majority of the popular vote in each region of the province, giving it a unique level of power and legitimacy for the transformations it sought to make to British Columbia's state and its relationship to the wider society. Will British Columbia's adoption of P3s end up being seen as beneficial for the public? That is a difficult question to answer at this stage, when the three projects studied are only at their mid-points. It also, once again, depends on how one defines the term beneficial. If the only issue one looks at is overall cost, then there are reasons why one might be concerned. However, if one takes a wider look at what is meant by benefit, then there is a more even balance. Specifically, interviewees who were engaged in the three DBFO P3s studied here pointed to potential benefits in terms of certainty and project quality that resulted from the use of this model. Whether or not public managers can capture these benefits for British Columbia's citizens will depend to some extent on their creativity and skills at addressing the major problems recognized with using the P3 model. Beyond the skill of individual managers, it will also likely depend on the underlying nature of the three projects, one of which is better suited to the use of the P3 model than the third. Nevertheless it must be stressed that this is only a prediction. The final verdict will not be reached for some time, until the three projects have been up and running for several years.

Daniel Cohn, Ph.D., is an assistant professor in the School of Public Policy and Administration at McLaughlin College, York University. He can be reached at email: dcohn@yorku.ca or tel: (416)736-2100 ext. 77276.

The author wishes to acknowledge the assistance he received from Professor Sally Ruane of De Montfort University, Leicester, UK in developing his interviewing strategy for this project. He also wishes to acknowledge the comments of Professor Robin M. Lauermann, Messiah College, Professor Lisa Parshall, Daemen College and other participants in the public policy and public administration section of the 2006 New York State Political Science Association Annual Meeting.

References

Akkawi, A.A. 2001. "Sharpen Your Pencils," Summit Magazine (Special Issue: Focus on Public Private Partnerships) (Fall), accessed online on 30 March 2004 at www.summitconnects.com.

Arthur Anderson and Enterprise LSE. 2000. Value for Money Drivers in the Private Finance Initiative. London: HM Treasury. Retrieved 23 August 2004.

Ball, R., M. Heafey and D. King. 2004. "Risk Management and the Private Finance Initiative," in A. Ghobadian, D. Gallear, N. O'Regan and H. Viney (eds.). Public-Private Partnerships: Policy and Experience. New York: Palgrave Macmillan.

Beato, P. and A. Vives. 1996. "Private-Sector Participation in Infrastructure: Risk, Fiscal, and Efficiency Issues in Public-Private Arrangements for the Provision of Services," Infrastructure 1(3): 3-14. Re-printed in D. Grimsey and M.K. Lewis (eds.). 2005. The Economics of Public Private Partnerships. Cheltenham, UK: Edward Elgar.

Brereton, M and M. Temple. 1999. "The New Public Service Ethos: An Ethical Environment for Government," Public Administration 77(3): 455-474.

Brewer, P. and L. Johnson. 2004. Partnering in Practice: New Approaches to PPP Delivery. Toronto: PricewaterhouseCoopers.

British Columbia Finance Ministry. 2002. Capital Asset Management Framework. Victoria, BC: British Columbia Finance Ministry.

British Columbia Ministry of Health Services. 2003. News Release: Government Honouring Promise for New Hospital (23

January). Victoria, BC: British Columbia Ministry of Health Services.

British Columbia Ministry of Municipal Affairs. 1999. Public Private Partnership: A Guide for Local Government. Victoria, BC: British Columbia Ministry of Municipal Affairs.

British Columbia Ministry of Transportation. 2004. Capital Project Plan: The Sea-to-Sky Highway Improvement project [January 10]. Victoria, BC: British Columbia Ministry of Transportation.

British Columbia Ministry of Transportation and Partnerships BC. 2004. Sea-to-Sky Highway Improvement Project: Request for Proposals, Instructions to Proponents, Volume 1. Victoria, BC: British Columbia Ministry of Transportation.

British Columbia Office of the Premier. 2001. Guidelines for the Core Review. Victoria, BC: British Columbia Office of the Premier.

British Columbia Task Force on Private Public Partnerships. 1996. Report of the Task Force on Private Public Partnerships: Building Partnerships. Victoria, BC: British Columbia Ministry of Finance and Corporate Relations.

Byers, S. 2003. “Full-text of Stephen Byers' speech: The former transport and local government secretary's speech to the Social Market Foundation in London today,” Guardian Unlimited (Manchester and London: The Guardian) Retrieved 09/10, 2005 from http://politics.guardian.co.uk/thinktanks/story/0,10538,969677,00.html

Calder, P. B. 2004. Approaches to Canadian Infrastructure Financing: Past, Present, and Future. (Toronto: Standard & Poor’s). Retrieved April 21, 2004 from http://www2.standardandpoors.com.

Campbell, D. and D. Harris. 1993. “Flexibility in Long-term Contractual Relationships: The Role of Cooperation,” Journal of Law & Society 20(2): 166-191. Re-printed in D. Grimsey and M.K. Lewis (eds.). 2005. The Economics of Public Private Partnerships. Cheltenham, UK: Edward Elgar.

Campbell, G. and K. Falcon. 2004. Letter to Chair Doug McCallum and Members of the Greater Vancouver Transit Authority Board (Issued with News Release 2004OTP0049-000492 ed.). Victoria, BC: Office of the Premier of British Columbia.

Canada Line Rapid Transit [sic] Richmond Airport Vancouver Rapid Transit Project. 2006. Canada Line Final Project Report: Competitive Selection Phase. Vancouver: Canada Line Rapid Transit.

Canadian Council for Public-Private Partnerships. 2003. The Canadian Case for Hospital PPP Projects. Toronto, ON: Canadian Council for Public-Private Partnerships.

Canadian Council for Public-Private Partnerships. 2005. Responsible PPP Procurement for British Columbia. Toronto, ON: Canadian Council for Public-Private Partnerships.

Cohn, D. 2005. “The Public-Private Partnership ‘Fetish’: Moving Beyond the Rhetoric,” Revue Gouvernance, 1(2): 2-24.

Fraser Health Authority. 2005. Fraser Health Authority Strategic Plan. Surrey, BC: Fraser Health Authority.

Goldsworthy, Rachel. 2002. Objective Based Government Remains Liberal Target in B.C. Journal of Commerce, 91(92).

Greater Vancouver Regional District. 1999. Livable Region Strategic Plan. Burnaby, BC: Greater Vancouver Regional District.

Greater Vancouver Transit Authority. 2004a. News Release: Final TransLink Board Vote Approves RAV Line [1 December]. Burnaby, BC: Greater Vancouver Transit Authority.

Greater Vancouver Transit Authority. 2004b. News Release: Rapid Transit Expansion [30 June]. Vancouver, BC: Greater Vancouver Transit Authority.

Grimsey, D. and M.K. Lewis. 2004. Public Private Partnerships: The Worldwide Revolution in Infrastructure Provision and Project Finance. Cheltenham, UK: Edward Elger.

Grout, P. A. Public and Private Discount Rates in Public-Private Partnerships. Economic Journal 113 (486): C62-C68.

Hall, J. 2005. “Ten Years After: On Aug 11, 1995 3 Died when a Subway Train Rear-Ended another one at Russell Hill Dr.,” Toronto Star (6 August): B1.

HM Treasury. 2003. PFI: Meeting the Investment Challenge. London: HM Treasury.

Hotson Bakker Boniface Haden Architects. 2005. Recent Projects: Burnaby Mountain Secondary School. Retrieved 9/1, 2005 from http://www.hotsonbakker.com/bmss.html.

Jacobsen, P. 2003. Memo from Pat Jacobsen, CEO to the GVTA Board of Directors: Approval of Procurement Strategy

and Funding Commitment for Richmond-Airport-Vancouver Rapid Transit. Burnaby, BC: Greater Vancouver Transit Authority.

Jacobsen, P. and S. Plewes. 2004. Memo to GVTA Board of Directors from Pat Jacobsen, Chief Executive Officer and Sheri Plewes, Vice President Capital Management & Engineering: Richmond Airport Vancouver project - Summary of Best and Final Offer Proposal Stage and Proceeding to Preferred Proponent Stage [26 November for 1 December Board Meeting]. Burnaby, BC: Greater Vancouver Transit Authority.

Keeler, J. T. S. 1993. “Opening the Window for Reform,” Comparative Political Studies, 25(4), 433-486.

Keenan, J. 1999. “Read the Fine Print: The Public Sector Accounting Board Takes a Close Look at the Hidden Costs of Government Contractual Arrangements,” CA Magazine (October): 41-42 and 56-57.

Kingdon, J. W. 1984. Agendas, Alternatives, and Public Policies. Boston: Little, Brown.

Knight, A. and I. Fox. 2004. “Why is it so Expensive to Bid for PFI Contracts?” in A. Ghobadian, D. Gallear, N. O’Regan and H. Viney (eds.). Public-Private Partnerships: Policy and Experience. New York: Palgrave Macmillan.

Lee, J. 1989. “Whalley, Richmond ties Announced: Transit to Grow 'n' Grow,” The Vancouver Sun, (31 July): A1.

Lee, J. 2004. “Victoria Declares RAV Line Dead, Assails Translink Board,” Vancouver Sun, (19 June): A1.

Leslie, T. 2004. “Only One Bidder Left to Build New Hospital,” Abbotsford Times (10 February): 7.

Lewis, J. 2004. “A Sound Infrastructure,” Benefits Canada, (February): 17-18.

Macquarie North America. 2001. Report for the Greater Vancouver Transportation Authority [on using public-private partnerships to develop the Richmond-Airport-Vancouver rapid transit line and the new Fraser River crossing] part 1. Vancouver, BC: Macquarie North America.

McMartin, P. 2003. “RAV Line Follows the Money,” The Vancouver Sun (29 May): A4.

N.A. Engineering News Record. 2002. “Private-Public Partnerships will have Twists and Turns,” Engineering News Records, (5 June): 64.

Palmer, V. 2005. “Expanding Expansion of Convention Centre puts New Minister on the Spot,” Vancouver Sun, (7 September): A3.

Palmer, V. 2001. “Campbell's Rule for Ministers: Do it My Way,” The Vancouver Sun (29 June): A14.

Partnerships BC. 2004. Project Agreement: Abbotsford Regional Hospital and Cancer Care Centre. Vancouver: Partnerships BC.

Partnerships BC. 2005a. Sea-to-Sky Highway Concession Agreement. Vancouver: Partnerships BC.

Partnerships BC. 2005b. Project Report: Achieving Value for Money: The Abbotsford Regional Hospital and Cancer Care Centre. Vancouver: Partnerships BC.

Partnerships BC. 2005c. Project Report: Achieving Value for Money: The Sea-to-Sky Highway Improvement Project. Vancouver: Partnerships BC.

PricewaterhouseCoopers. 2002. Fraser Valley Health Centre/Eastern Fraser Valley Cancer Center, Public-Private Partnership Review Final Report. Toronto: PricewaterhouseCoopers.

Professional Association of Residents British Columbia. 2002. Report on the Health Authorities’ Health Services Redesign Plans [23 April]. Vancouver: Professional Association of Residents British Columbia.

Province of British Columbia Executive Council. 2003. Transcript of the Open Cabinet Meeting of May 30. Victoria, BC: Province of British Columbia Executive Council.

Richmond Airport Vancouver Rapid Transit Project. 2005. Information Bulletin: Addition of 2nd Avenue Station to the RAV Line [8 April]. Vancouver, BC: Richmond Airport Vancouver Rapid Transit Project.

Ross, I. 1996. “Better Way: A Year After Fatal Subway Crash, Transit Boss Counting on Plan to Save System,” Globe and Mail (10 August): A1.

Rouillard, C., É. Montpetit, I. Fortier and A.-G. Gagnon. 2006. Reengineering the State: Toward an Impoverishment of Quebec Governance. Ottawa: University of Ottawa Press.

Skelton, C. 2004. “RAV Line was Short 'Hundreds of Millions': Project bids far Higher than Translink Budget,” Vancouver Sun, (10 May): A1-A2.

Taylor, M., K. Barker, B. Callahan, D. Denison, S. Ebanjam and R. Kelly. 2001. Building Better Partnerships: The Final

Report of the Commission on Public Private Partnerships. London: Institute for Public Policy Research.

TSI Consultants. 2002. Sea-to-Sky Corridor Travel Demand Study: Final Report. Burnaby, BC: TSI Consultants.

United Kingdom National Audit Office. 2002. PFI Refinancing Update. London: The Stationery Office.

Vaillancourt Roseneau, P. 2000. “The Strengths and Weaknesses of Public-Private Policy Partnerships,” in P. Vaillancourt Roseneau (ed.), Public-Private Policy Partnerships. Cambridge, MA: MIT Press.

Vancouver 2010 Olympic Bid Committee. 2002. Vancouver 2010 Bid Book Volume 3. Vancouver: Vancouver 2010 Olympic Bid Committee.

Vining, A.R., A.E. Boardman and F. Poschman. 2005. “Public-Private Partnerships in the United States and Canada: There are no Free Lunches,” Journal of Comparative Policy Analysis 7(3): 199-220.

Willcocks, P. 2001. “The Cutting Edge of Campbell's ‘New Era’,” The Vancouver Sun (3 July): A10.

Appendix 1: Interviews

Abbotsford Regional Hospital and Cancer Care Centre

David MacLean, MD, Dean of Health Sciences, Simon Fraser University, and former Board Member, Fraser Health Authority

Mr. Brian Woods, Vice President, Corporate Services and Chief Financial Officer, Fraser Health Authority

Mr. Mike Marasco, Vice President Partnership Development, Partnerships BC and Project Director, Abbotsford Regional Hospital and Cancer Care Centre

Richmond Airport Vancouver Rapid Transit line

Ms. Jane Bird, President and CEO, RAVCO

Mr. Doug MacCallum, Mayor of Surrey British Columbia and Chair, GVTA

Sea-to-Sky Highway

Mr. Peter Milburn, Acting Assistant Deputy Minister, Highways Department, British Columbia Ministry of Transportation and Executive Project Director, Sea-to-Sky Highway Improvement Project

Mr. Richard Fyfe, Supervising Solicitor, British Columbia Ministry of the Attorney General and Procurement Director, Sea-to-Sky Highway Improvement Project

Partnerships BC

Mr. Larry Blain, President and CEO, Partnerships BC

Mr. Mike Marasco, Vice President Partnerships Development, Partnerships BC and Project Director, Abbotsford Regional Hospital and Cancer Care Centre

Ms. Jennifer Davies, Senior Communications Consultant, Partnerships BC

Private sector executives

Mr. Nicolas Hann, Managing Director, Macquarie North America Limited

Mr. Mark Hodgson, Managing Director, Infrastructure Advisory Practice Vancouver, Deloitte (formerly with PricewaterhouseCoopers)

Ms. Jane Peatch, Executive Director, The Canadian Council for Public-Private Partnerships

Appendix 2: Correspondence

Mr. Gary Collins, former Finance Minister of British Columbia, June 2001- December 2004.

---

1 RAV is a temporary name that was attached to the project for planning purposes. When the transit line opens its

permanent name will be “The Canada Line.”

2 The GVTA (which is popularly known as TransLink) is a wholly owned subsidiary of the Greater Vancouver Regional District (GVRD). The 35 member GVRD Board of Directors is comprised of delegates from the region’s 21 municipal councils. These, in turn, elect the members of the GVTA board of directors from among their own number.

3 An example of such projects is the Burnaby Mountain Secondary School (in Burnaby, BC). The DBFO project to create and maintain the school, which opened in September 2000, had a construction value of approximately $18 million (Hotson Bakker Boniface Haden Architects, 2005).

4 These are somewhat stage-managed events that are held periodically and broadcast on the cable channel reserved for provincial legislative proceedings. While little of substance takes place at such open meetings, they do provide an interesting insight into the machinery of government and the plans of the government.

5 The publicly released version of this report was heavily censored. However, the job was poorly done in the electronic version and all that was required to create an unedited version was to cut the text from the .PDF and paste into a blank MS-Word document.

6 The author sent Mr. Collins a copy of this article and gained his written confirmation that it accurately reflects his comments to the report.

7 Opened to traffic in 1986, a federal infrastructure grant has now been obtained to build the missing on and off ramps and properly complete the highway. The work should be completed in time to celebrate the highway’s twentieth birthday.

8 This in part explains why even with more traditional public procurements, interest is growing in using consortia to develop so called design-build and design-build-finance “turn-key” projects. They are called by this name as all the public owner has to do once they take delivery for the infrastructure is “turn the key” to start them.