

NOTES FOR REMARKS BY
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AND
MINISTER OF FINANCE

TO
CONFERENCE ON PUBLIC-PRIVATE PARTNERSHIPS

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INTRODUCTION

Thank you for that kind introduction. I wish my parents could be here today to hear me address this important conference. My mother would love it and my father wouldn't believe it.

Let me begin by recognizing the significant contribution of the Canadian Council for Public-Private Partnerships in promoting understanding of the P3 concept. You have been in the vanguard of a trend in public policy that is rapidly gaining momentum around the world. Your leadership is helping to usher Canadian governments into a new era of public-private partnerships.

I think you have chosen a very timely and appropriate theme for this conference: *Making Government Domestically and Internationally Competitive*.

Being a competitive government has several dimensions. It means competitive tax rates. It means fiscal responsibility. It means accountability to the taxpayers. It means making responsible choices. It means protecting the most vulnerable. And it means looking to the future.

Ontario has had competitive government since 1995. Under the leadership of Premier Mike Harris, Ontario has prospered as never before. 824,200 net new jobs have been created. Take-home pay is up 20 per cent. And we have a third consecutive balanced budget for the first time in nearly 100 years.

Because of strong government leadership and the hard work of the people of Ontario, our province is better prepared than ever to weather a period of economic uncertainty. The people and businesses of the province can be confident that this government will not surrender the hard-won gains that have restored Ontario to prosperity. We will not slip back into the days of over-spending, rising taxes and high unemployment.

But the reality is that, in the global economy, the yardsticks are always moving. We cannot afford to rest on our achievements. A competitive government is a government that is steadily improving and always striving to serve the public more efficiently and effectively.

I understand you had an interesting session this morning on the Global Competitiveness Report. It's encouraging that Canada has risen to third place in the Growth Competitiveness Index rankings, reflecting our medium-term growth prospects.

You may recall that the Growth Competitiveness Index is based on three factors: 1) macroeconomic conditions, 2) the level of technology, and 3) the quality of public institutions.

It is the quality of public institutions that is very much my focus as Minister of Finance of Ontario.

The Ontario government is taking a number of steps to preserve and increase the international competitiveness of Ontario's public sector. For example, within the provincial government, each ministry completes a rigorous business planning process every year to set objectives and report results.

We are now building on this by conducting a Value for Money Review of provincial government programs and services. This work will be part of our planning for the 2002 Ontario Budget.

As I announced in the Spring Budget, we have established a panel of private sector experts. The panel will commission research studies and draw on know-how both inside and outside government.

The review will compile the latest thinking and best practices from around the world and measure Ontario's performance against these benchmarks. Not quite a program review, the panel will ask fundamental questions and make fundamental recommendations. The panel will advise the government on how to focus taxpayer dollars on the core services people count on instead of areas where government does not belong. It will advise us on how to obtain the best service at the lowest cost. In short, the panel will offer guidance on how we can deliver the maximum value for the taxpayers money.

Let me give you one example. I also announced in the spring Budget that the government is taking a step in this direction by getting out of the banking business. The Province of Ontario Savings Office was created in 1921. There is no reason for government to be running a bank in 2001. We are moving ahead with our plans to seek a buyer for POSO's operations.

As we look to the longer-run future of our public institutions, an enormous challenge emerges. In a word: infrastructure. Ontario's public infrastructure needs over the next 10 years are, quite frankly, staggering.

Here in Toronto, for example, it's been decades since much of the public infrastructure was built. Parts of the Toronto General Hospital, now included in the University Health Network, were built in 1913. Most of the dormitories at the University of Toronto were constructed long ago. And the average age of community centres and arenas is more than 20 years.

But the issue is bigger than the inevitable need to replace facilities as they wear out. In many ways, we have outgrown our public infrastructure.

Our economy has expanded substantially. Our total output is now almost 25 per cent greater than it was in 1995. Our population is growing too. It's increased by 4 million people in the past three decades and is expected to increase by almost that much in the next three. And our population is also aging, boosting the demand for health care in particular.

Our existing infrastructure simply cannot accommodate the increase in services the economy and the public need. So infrastructure must be expanded and improved.

It is clear, however, that business as usual won't be enough. Our infrastructure requirements for 1) highways, 2) health care, 3) the justice system, 4) colleges and universities, 5) water and wastewater plants and 6) cultural and recreational facilities cannot and will not be met if we keep on doing things the old way.

The old way is to finance everything through tax revenues or government borrowing. This is no longer feasible. The public purse is not large enough to fund both today's services and tomorrow's infrastructure.

The solution is to build infrastructure by tapping the massive pools of capital that exist in the private sector. We must do this if we expect facilities and the services they support to be there when we need them. We must do this if we expect our economy to remain competitive.

It is essential to put private dollars to work for the public good, through public-private partnerships.

To these partnerships, the private sector brings more than funds. It also brings management expertise, a spirit of innovation, a focus on efficiency and experience in managing risk. In building public infrastructure, these private sector strengths contribute enormously to creating value for money.

This challenge of course is not unique to Ontario or Canada. It is a challenge that most if not all advanced societies are facing.

Not long ago, I met with the Taoiseach or prime minister of Ireland, Bertie Ahern, and we talked about our time as the decade of infrastructure. In a speech last month, the Irish Prime Minister said, "PPPs have an essential role to play as a vehicle for efficient practices, innovative financial regimes and the delivery of real value for money for the community, both now and in the future."

I was also in the U.K. recently, which, as you know, is a leader in the development of public-private partnerships. In early October I had the opportunity to visit the first hospital to be funded under the Private Finance Initiative the Darent Valley Hospital in Kent. This is one of the more than 400 Private Finance Initiative projects to get the green light by the end of 2000.

A private sector consortium designed, constructed and financed the hospital and is operating non-clinical services as part of the package. I'm told it took just three years from groundbreaking to opening much faster than most publicly financed hospitals. In fact, the new hospital probably would not be there at all without the Private Finance Initiative. Plans had been broached for 20 years but deferred due to lack of funds.

My visit to Kent brought home the point that public-private partnerships are about more than bricks and mortar. In the Darent Valley Hospital, the private sector has not only built the building but is also providing non-clinical services.

The project reflects a shift from traditional procurement with the public sector as the buyer of a capital asset to the public sector as a customer purchasing non-clinical services on behalf of its clients. The government remains responsible for deciding what needs to be done and making sure it is done right. But is up to the private sector to do the job at the most efficient cost.

This is clearly an area in which we can make substantial progress in Ontario. It's non-political in practice. In the U.K., it started under a Conservative government and continued under a Labour government. This is a consortium idea but you know, it works.

The Ontario Minister of Health, Tony Clement, will be here tomorrow morning to share his thoughts on the role of public-private partnerships specifically in Ontario health care, his direct area of responsibility.

The Ontario government has responded to the infrastructure challenge by establishing the Ontario SuperBuild Corporation with a mandate to implement the largest investment program in the province's history. SuperBuild brings all government capital spending under one umbrella. It co-ordinates proposals for capital construction from government ministries and agencies, and presents them to the Cabinet.

SuperBuild's priorities are to renew and improve Ontario's hospitals, highways, transit systems, water and wastewater treatment plants, colleges and universities, sports and recreation centres and the public facilities of our cities and towns.

SuperBuild is not a cheque-writing organization. Sorry if anyone in the audience is disappointed. And it is not a new name for the old way of doing business.

What SuperBuild is is a catalyst. It has a mission to develop new funding partnerships to ensure that taxpayer dollars go farthest. The government has committed to a five-year \$10 billion investment through SuperBuild. This is to be used to lever another \$10 billion in project investment through public and private partnerships for a total of \$20 billion in infrastructure.

By the end of this fiscal year, in March 2002, SuperBuild will have invested nearly \$9 billion and committed additional funding to municipal infrastructure. Partnership investments will bring the total to more than \$13 billion.

I'd like to cite just a few examples of the government's partnership approach.

At the top of the list is Highway 407. Tomorrow's speakers from SNC-LAVALIN can tell you about that operation from the viewpoint of the private sector partners, and I hope they will.

From the viewpoint of the public interest, we got the highway built faster in four years for the first segment, compared with almost 10 years for comparable sections of the 400-series highways. We got it built to provincial specifications. And we put \$3.1 billion into the public treasury, money available for other public services.

We will build on the success of the Highway 407 initiative to create more public-private partnerships in transportation.

Commuters in the GTA know from experience that highway congestion in the GTA now occurs 13-15 hours per day. In other words, the rush hour lasts all day. Unless we act decisively, the gridlock can only get worse. In 20 years, a trip from downtown Toronto to the Burlington Skyway, which now takes an hour and 20 minutes, could well take more than three hours.

To achieve Ontario's Smart Growth vision of a strong economy, vibrant communities and a clean environment, the gridlock must be broken. The government plans to develop integrated transportation networks including both highways and transit so people and goods can move efficiently.

We are moving ahead with a bold transportation agenda. Public-private partnerships will be pivotal in achieving it.

Let me tell you about transit. Our government has committed \$3 billion over the next 10 years to a \$9 billion transit investment plan. We are counting on municipal and federal governments to match our commitment. Municipalities have responded favorably, but we are still waiting to hear from the federal government.

Under this initiative, the Ontario government will provide up to \$1.5 billion over the next decade to expand commuter rail, light rail and bus transit-way systems in the Golden Horseshoe and in large communities around the province.

We are encouraging proposals for public-private partnerships offering creative ideas and strategic investments in new transit infrastructure. Details on this open, competitive process will be released soon.

New and expanded highways are also on the agenda. We want to attract private partners as early as possible to reduce the burden on taxpayers, get infrastructure built sooner and enlist the creative energy of the competitive marketplace.

We have begun the process of selecting private-sector partners to extend Highway 407 east to Highways 35 and 115. We have financial and technical advisors on board to assist us. After the 407 project, the next opportunities for the private sector will include:

- the extension of Highway 404 and the Bradford Bypass
- the Niagara Mid-Peninsula Highway and
- the extension of Highway 427.

So transportation is one priority for a P3 approach. Another is communications.

The government is in the process of building a mobile communications network for emergency services providers: police, fire, ambulance and corrections personnel. We had five different radio

networks that could not communicate with each other, and were quickly becoming obsolete.

Rather than building and operating new networks ourselves, we struck a deal with a private sector partner, a consortium led by Bell Mobility. The consortium is investing \$110 million to build and maintain a single communications network for all provincial emergency services. The government agreed to purchase access to the network for 15 years, at an annual fee of \$20 million.

The private-sector partners get a guaranteed revenue stream, plus the likelihood of additional revenue as municipal emergency services join the network. The government gets a modern network with guaranteed levels of service, maintenance and upgrades. The yearly cost is exactly the same as we are spending now. We also avoid a \$50 million investment, and the risk inherent in investing in a service that may become outdated. It's a win-win situation for both parties.

A third priority for our P3 approach is in the justice system. SuperBuild and the Ministry of the Attorney General have issued a Request for Qualifications for developers interested in designing, building, financing, owning and providing property management for a consolidated courthouse in Durham Region. As many of you know, Durham is a fast-growing region east of Toronto. Its court facilities are currently scattered in six locations, which cannot be expanded to meet increasing needs.

This is the first time we have used a P3 approach for the delivery of court accommodation in Ontario. In previous courthouse projects, the government has been very prescriptive about the location of the facility and other requirements. But in the Durham project we are offering partners much more latitude to determine how to meet the region's court facility needs. We are not wedded to any particular site. And we invite, but do not oblige, bidders to make the courts part of a larger multi-use, multi-occupant complex.

We are confident the Durham courthouse project will blaze the trail and become a model for future PPP initiatives in our court system and indeed in other sectors.

SuperBuild has many other projects on the drawing boards. Several Ontario government representatives are attending this conference and I want to stress that we are here to listen as much as talk. We are particularly interested in hearing your views on the elements necessary to make public-private partnerships work – what you expect and need from the government in order to make our projects of interest to you.

SuperBuild's investments are a giant step forward. But they are only the first step. Canada is nearly a decade behind Great Britain in the use of public-private partnerships.

It is time for Canadian governments to move aggressively to tap vast pools of private dollars for the building of public infrastructure. This is not a matter of political leanings. Recall that in Britain the Private Finance Initiative was started by a Conservative government and continued by a Labour government. This is not about right or left. It's about finding practical solutions to an urgent problem.

To hark back to my theme, public-private partnerships are one of the hallmarks of competitive government in the 21st century. And competitive government is one of the fundamentals for a competitive economy. It is only a competitive, growing economy that can produce the wealth we need to do what we value most helping those who are vulnerable and providing the services we all rely on.