

**Remarks by Michael Wilson, Chair, CCPPP  
Presented at The Atlantic Canada Conference on Public-Private Partnerships,  
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It is a great pleasure to be here today with you to talk about one of the most significant developments I see occurring domestically and internationally in public policy. That is the movement away from the dependency on the tax base to deliver the services and infrastructure this country needs to provide a high quality of life for our citizens and to keep this country competitive in an increasingly borderless world.

But first let me tell you something of the organization I am here today representing - The Canadian Council for Public-Private Partnerships.

The organization was established in 1993 by a group of private sector representatives who held the belief that the two spheres of the public sector and the private sector needed to be better integrated to bring the skills and expertise of each together. It was a simple vision and one that they believed would result in a more efficient way of delivering traditional public sector responsibilities. This was a relatively new concept in 1993 - something that was starting to get attention in the UK and the USA but had not in any great way penetrated the thinking in Canada.

Seven years later we find a tremendous amount of interest in this concept as our exposure to the success of programs in other countries increases and our own realization that the tax base at all three orders of government is woefully inadequate to keep up with the demands for service and infrastructure investment.

Let's talk about that infrastructure deficit for a moment because I believe that is the reality check that we all need to take before we can understand why government really no longer has a choice about how to proceed.

Take the municipal order of government alone. In 1999 the Federation of Canadian Municipalities (FCM) produced a report highlighting deficits in environmental and transportation infrastructure. By deficits I am referring to the investment shortfall to meet the already existing needs. So in these two sectors alone let's see what FCM found:

Their report read:

“ There currently is an investment shortfall of \$16.5 billion in water facilities (mains, storage tanks and treatment plants\_ and \$36.8 billion in wastewater facilities (sewers, combined sewer and separations and treatment plants). More than 1.5 million Canadians live in communities with no wastewater treatment and almost 5 million live where only primary treatment is available.

The National Research Council estimates an investment shortfall in municipal and regional roads of almost \$9 billion, while the Canadian Urban Transit Association places the shortfall in public transit investment at more than \$8 billion.”

This is in just two sectors. It does not begin to address recreation facilities, housing, utilities. Nor does it even begin to address hospitals & health care, ports, airports, national highways, bridges, schools and more.

This is the reality check for The Canadian Council for Public-Private Partnerships. Numbers this large are staggering. They are also not addressable by public spending alone. We will never tax to this extent, nor should we. And if we do not take a good sober look at where this projection extends, we will fall farther and farther behind. It is not just a matter of providing the new infrastructure that is needed to provide for our increasingly urbanized and mobile populations, but keeping the existing infrastructure in good condition. And it is this latter consideration that countries such as the UK ignored for many years until such time that drastic action was required and billions and billions of dollars of reinvestment to stop the deterioration of an existing system of pipes, roads, etc.

There are two programs in Canada now that we are watching with enthusiasm and hope. The first is the new Federal/Provincial/Municipal infrastructure program. Mr. Guy McKenzie will speak to you later this morning about this program and the plans that they are developing in cooperation with the provinces to address some of the above deficit. The Canadian Council for Public-Private Partnerships has encouraged Mr. Mc Kenzie to include private sector investment in this program to expand the overall amount of work that will be accomplished. It is our belief that the while the previous Canada Works program enabled a great deal of development that would not otherwise had gone forward, it did not leverage private investment which would have expanded the benefits of the program tremendously.

The second program, and one that is close to home for me, is the Ontario SuperBuild Program. SuperBuild will consolidate infrastructure spending that has been previously scattered across the various ministries of the government and provide the support to assist government organizations (including the municipalities) to engage the private sector in meeting these capital and operating needs).

The program is expected to inject \$20 billion into the capital spending over the next 5 years, ideally \$10 public sector and \$10 private sector investment.

What is particularly encouraging to us about this program is unlike other programs that have a single purpose of seeing investments made in a specified period of time, this program is really the beginning of a complete transformation of the conventional approach to capital investment needs.

It starts by saying, “is there a way to get this particular infrastructure requirement without it coming 100% off the tax base? Are there others out there who would benefit by partnering with the government to get this facility provided? Can we use our public sector funds to leverage private sector investment and in doing so, multiply the impact of our public investment?” The legacy of this program will be that public sector no longer sees itself as the sole provider of all that its citizens require - but rather that it shares that

responsibility with others who bring their expertise and equally as important, their money to the table.

What does this ultimately mean? It means that the government's role changes and all of us have heard the words but really need to absorb what they are telling us. Government becomes the "steerers" not the "rowers". That government identifies the needs, provides the guidance to its ministries and departments to administer competitive processes to select appropriate private sector partners, designs defensible contracts with their chosen partners and then let's the private sector do its job. Contract monitoring and regulatory oversight continue to be the responsibility of government but delivery becomes the responsibility of the private sector.

How can we be sure this works?

Because we have some very credible success stories to validate this belief.

A few weeks ago The Canadian Council for Public - Private Partnerships in co-operation with The Government of Canada, Ontario's SuperBuild Corporation, the Association of Municipalities of Ontario (AMO) and a number of private sector sponsors, brought in experts from two countries with considerable experience under their belts - the UK and Australia. We spent four days with two former senior staff who have been on the front lines in their respective countries delivering public-private partnership programs. And the results they report are overwhelmingly convincing.

These countries have forged new ground and made private sector participation an integral part of the service delivery system. Highways, bridges, schools, hospitals & health services, prisons, airports and ports, police facilities, water and wastewater delivery, utilities, subways and lightrail, recreation and housing have all been the subject of public-private partnerships.

In the sectors of energy (power, pipelines, gas), water, transport (roads, rail, ports, and airports) and social infrastructure (hospitals, prisons and stadia) alone, private investment in Australia had topped \$55 Billion (AUS) by February 2000.

The UK's Chief Secretary, Andrew Smith recently announced that contracts for over 150 projects had been signed by the Blair government since 1997 leveraging in capital investment over \$28 billion. This includes 35 hospital projects, 520 schools, 4 prisons, 28 defence contracts, highway and bridge development and operations, etc. Both of these governments cite this new development in the provision of services as the backbone of their respective strategies to renew and modernize their public services and to ensure their countries remain competitive internationally.

Last November we had Adrian Montague, the head of the UK Private Finance Initiative in Toronto at our annual conference. I asked him if he'd found any public service that could not be delivered through a public-private partnership. His response was "nothing yet. Everything we've tried has worked." And these programs do not just get the physical

infrastructure built. In my years as Minister of Finance I realized getting the physical infrastructure built was the easy part, maintaining it and staffing it for the next 100 years was the challenge. In the UK and the Australian models, they have tended towards a full program approach. Not only does the private sector finance, design, and build but they also operate and maintain into the future.

Why has this approach become the model?

Anyone who has worked in the public sector knows. Anyone who relies on the services of public institutions know. Our public budgeting system is incremental working on short timeframes. Financial commitments are short ranged. Operating and maintenance budgets are set for at best 5 years ahead. From year to year we cut, we delay, we forego investments not only in the physical plant, but in the level of staffing, the extent of the program, the commitment to the quality. This is not to say that Canadians have suffered severely. But the signs are all around us that after years and years of cutbacks - which I might add are no more than a reflection of the public's will to reduce or limit taxation - the level of service in many of our institutions is falling and the public sector is feeling less and less the ability to meet the needs.

The UK and the Australian response has been to ensure not only that they get the schools, the hospitals, the roads, etc. built but that into the future they will be operated and maintained to a high standard and at the end of the contract term, if the option for the public sector to buy back the asset exists, that the condition the turned - back facility is in exceed that which the public sector could have guaranteed itself.

What I find entirely convincing as well is the fact that you can take a program like the UK Private Finance Initiative (PFI) started by Margaret Thatcher's government - by all standards a very conservative government - and roll it into the Blair government's platform, a Labour government, and barely miss a beat. So the strength of the concept transcends strict political ideology - it just makes sense. We had a glimpse of that this past November in Toronto at the annual conference. For the first time we had representatives from almost all parties in Canada attending and clearly there to learn more. Reform, Conservatives, Liberals and even NDP all engaged by the concept and sharing their thoughts on how to do this in the Canadian context.

Your experience in Atlantic Canada has been interesting to watch. Schools in Nova Scotia, highways in New Brunswick, a bridge to Prince Edward Island. And here locally a project as necessary as you are going to come across in all of Canada - waste water treatment facilities to clean the waste water that each and every Haligonian is pumping out of his or her house each day before it enters that large body of water to the east. By god, could there be anything more worthwhile than keeping our environment clean. You have had opposition to these projects and opposition is not unexpected. These are the growing pains every country has suffered as they try to transform their service delivery systems. By and large, change is difficult for many to absorb. We feel comforted when things stay the same. But when that stagnation begins to erode our competitiveness as a

nation, when basic services can no longer be provided to our citizens, when there is an alternative, sitting still is not an option.

Today you are going to hear from Jacques Lamarre, President and CEO of SNC Lavalin. Last year Jacques mentioned that he is doing over 50% of his work outside of Canada, and much of that work is being done through partnerships with governments throughout the world. This is no longer the preoccupation of The World Bank and developing countries. This is very much the emerging form of government in developed nations. We can lead or we can watch.

The Canadian Council works with over 170 public and private sector organizations across Canada who believe that “watching” is not the answer. We have international experience to draw on, we have one of the most professional civil services in the world and we have a strong and vibrant private sector. These are the requirements for good public-private partnership programs. Education is required, the hidden costs of providing public services by the public service must be exposed, and the agendas of opposing groups must be revealed. Politicians want the best for their communities. Political support will come when politicians recognize that their voters are behind them. We need political champions to get this program moving in Canada and we need to stand behind those champions and give them our support.