

Checks and balances

Reprinted from Business Examiner South (Victoria, BC) - February 18, 2005

by Lyle Jenish, Editor

On February 8, the city of Victoria and RG Properties hosted a media walk-through and progress update at Victoria's long-to-arrive arena. RG president Graham Lee fielded questions on cost overruns, opening dates and the daily, 16-hour work schedule. The next day he was rightly lambasted by local media for a poorly executed construction agenda, for back-loading the arena's construction schedule and causing undo stress on city officials and taxpayers.

Flashback a decade.

In 1994, B.C.'s NDP/BC Federation of Labour government introduced its scheme to upgrade the Vancouver Island highway. Unlike Victoria's much maligned, public-private partnership arena, the island highway was a purely public project. Top priority for the government of the day was building political capital by lining the pockets of NDP-friendly unions. Cost controls through competitive bidding went down the toilet as requirements that workers be paid union scale and that non-union companies bidding on construction have their workers sign union cards after 30 days of work were implemented.

Leading-up to the 1995 provincial election, NDP/BC Federation of Labour premier Glen Clark announced that the government would build three aluminum catamaran ferries. Originally tabbed to cost taxpayers \$210 million, expenses eventually trebled and the promised delivery date of May 1996 disappeared in the rearview mirror - the final vessel, PacifiCat Voyager, was floated in 2000.

Of these three projects, only one - Victoria's P3 arena - offers any real potential - although modest - for remedy and relief.

RG Properties failure to have an occupancy permit in place by March 26 will lead to a monthly penalty of \$35,000. RG is under intense scrutiny. While Lee has reduced exposure by taking his once-public company private, RG remains accountable.

Imagine similar triggers and penalties in public projects. Pecuniary sanctions against civil servants, management, politicians, unions and the shipyards luxuriating in cost-plus fast ferry construction contracts? Not likely. The impetus to deliver projects on budget and on time does not exist in the public sector.

Nor is anyone accountable. During the fast-ferry fiasco, the minister responsible for BC Ferries, simply refused to do interviews. Likewise for BC Ferries president Tom Ward. Instead, bilge water was on tap, with a BC Ferry spokesman explaining launch dates were being pushed back due to unfavourable tide patterns.

Unions decry the "profit motive" in government-championed public works projects - apparently their members work for free! However, it is exactly the profit motive that will ensure taxpayer dollars are respected and constructors remain accountable.

The government's role is to negotiate hard and then assume a cooperative-yet-diligent stance when dealing with private partners.

A P3 with a watertight operational agreement provides much better cost and operational controls than in a purely public project. Obligations are defined, risk shared and as a business hoping to maximize profits, the private partner is beholden to the client - the taxpayer.