

Hon. Ed Stelmach, Premier of Alberta
Address to The Canadian Council for Public-Private Partnerships
National Conference Luncheon
Monday, November 24, 2008
Toronto, Ontario

Thank you and good afternoon, ladies and gentlemen. It's a pleasure to be here today.

I'd like to thank the Canadian Council for Public-Private Partnerships for hosting this conference and for everything the council has done to promote exploration of alternative ways of providing public services and public infrastructure.

Certainly, speaking on behalf of Alberta, it's a discussion that was long overdue in our country. I'm pleased to see that just about every Canadian province is represented on the conference agenda.

I don't think that would have been the case at the first national conference 16 years ago. The fact that you're all here today is proof of how far P3s have come in Canada in a relatively short time.

I'm pleased to note there are several representatives here from Alberta including my colleague Jack Hayden, the Minister of Infrastructure.

Alberta has long seen the great potential of public-private partnerships. And we've used P3s successfully to help meet our infrastructure needs in recent years. P3s have a lot of supporters in Alberta - and I've long been one of them!

They have their critics too especially in a province that has been blessed with healthy economic growth over the past several years.

That gave Alberta the ability to pay upfront for much of the infrastructure we need, as government has traditionally done instead of exploring alternatives to conventional financing in the private sector.

But one size doesn't fit all and the traditional way isn't always the best. Alberta faces unique challenges, caused - in part - by the province's rapid growth.

One of these challenges has been incredible pressure on our infrastructure. This is an area where, quite frankly, Alberta had fallen behind starting back in the 1990s when we were trying to get our financial house in order.

We had to learn a few lessons the hard way. Infrastructure projects that we put off then are getting done now but they're costing two and three times as much as they would have if we'd proceeded earlier.

We also learned that building infrastructure without planning for maintenance and upkeep was a recipe for trouble. The longer you defer maintenance, the more expensive it gets. Then, when things turned around, the economy began growing so fast and so many people were moving to

Alberta. Suddenly we had a major infrastructure deficit. Not enough roads, not enough schools, not enough hospitals and other public facilities.

That's why one of my government's first priorities was putting a plan in place to look after what we've got and make sure we have what we need for the future. It's called the 20-year Strategic Capital Plan, which our government released in January.

It's designed to help Alberta build responsibly, and put ourselves ahead of the growth curve. We want to catch up and keep up. And we don't want to be in a position of playing catch-up ever again!

The 20-year plan is a long-term planning tool the foundation for our annual capital plans, which are updated every year. It helps ensure that we're spending our money wisely, which is critical because Alberta is making a significant investment in infrastructure.

We have to. Alberta has had the fastest growing population of any province in Canada in each of the last several years. Our population is projected to grow from three and a half million to five million people within the next two decades. And we'll be ready for them!

In 2008-09, Alberta plans to spend about nine billion dollars on capital projects. This is in an environment where construction costs have seen tremendous escalations because of an overheated economy. Needless to say, because of the global economic uncertainty, cost escalations may not be as much of a concern now as they have been in the past.

Construction costs should start to come down a bit, and take some of the pressure off infrastructure budgets. That would be good news, because we're determined to meet the infrastructure commitments we've made.

Like all governments, we'll have to tighten our belts in this new economic environment, and take a very close look at any new spending requests.

Albertans worked too hard to get out of debt to go willingly back into the red. But we also understand that we need to keep spending - spending wisely - in difficult times.

Infrastructure spending represents continued economic activity at a time of uncertainty. It offers an economic stimulant when it's most needed not only for Alberta, but for the rest of Canada. P3s will be part of the package. Because P3s have proven to be good investments for Alberta. And they will continue to be part of our capital plan.

Public-private partnerships can take many forms, but in Alberta, we define a P3 as an infrastructure project in which a private contractor:

- designs and builds the project;
- provides some or all of the financing; and
- receives payments from government over an extended period of time.

This approach allows government to spread the cash requirements for a project out over a longer time period transfer some of the risk to the private sector and pay for an asset as it's used.

But financing is only part of the equation for us. We also look at what makes the most sense from the perspective of value efficiency timeliness and long-term management.

These may include a fixed cost and fixed delivery date longer warranties and protection from construction cost escalations and weather-related delays.

P3s may not be the best fit for all capital projects. But where they make sense from the taxpayers' perspective, we will consider them.

In Alberta, an advisory committee made up of external business leaders evaluates each P3 business case referred by the Treasury Board. They evaluate the risks and the potential benefits, considering the construction, financing and maintenance over the life of the project and decide whether it's in the public's interest to proceed.

Non-proprietary details of P3 agreements are reported on the government's consolidated financial statements. And extensive plans and contract details are posted online.

We've already had some good experiences with P3s in Alberta, particularly for highways. For the Southeast portion of the Anthony Henday ring road around Edmonton, for example a P3 was a cost-effective alternative to the traditional way of building roads. This approach ensured a fixed price and completion date at a time when construction costs were soaring by 25 percent per year.

Other examples are the Northeast Stoney Trail in Calgary where taxpayers saved 350-450 million dollars using a P3 approach. And the Northwest Anthony Henday, where a P3 saved taxpayers 240 million dollars.

In addition to saving money, all these projects will be completed earlier using a P3 than they would have been otherwise.

As a former minister of infrastructure, I can tell you that none of this was obvious when I first began talking to my cabinet colleagues about alternative financing.

Demonstrating value to skeptical colleagues was a challenge and there was some risk for the engineering sector. But in Alberta we've developed a good process, a fair process, monitored by government and business.

And we've been able to deliver a superior product, on time and at a reduced cost to the taxpayer with everyone involved agreeing that the process was fair and open. That's a real accomplishment and demonstrates the value of thinking outside the box and embracing new ideas that make sense.

In the case of these Alberta projects public-private partnerships gave the government cost and schedule certainty the assurance that maintenance will be performed as needed and a 30-year warranty.

We're now moving forward with P3s that will deliver 18 new schools in and around Alberta's two largest cities by 2010. Not only will this project save Alberta taxpayers 118 million dollars, but it

will also create space for more than 12,000 students two years sooner than would have been possible through traditional construction methods.

The P3 contractor will design, build, finance and maintain the schools for 30 years. The schools will be built to provincial standards, using a common core design that can be customized as needed. The core school approach offers design efficiencies. So does using a single cost and supply chain management system.

And the 30-year warranty goes well beyond the one- or two-year warranties government gets under the traditional approach of building infrastructure.

A growing economy and growing population need infrastructure and Alberta will continue to explore all options to provide that infrastructure in a timely and cost-effective manner.

We're committed to P3s where they make sense. For example, we're moving forward with plans to deliver 14 more P3 schools in six communities by 2013.

We're going to continue to expand our experience and capacity - both within government and in industry - to use these kinds of arrangements not only for highways and schools, but for other kinds of infrastructure as well.

Many observers are predicting that the current economic turmoil could be a boost for P3s.

Here in Canada, the Prime Minister and Premiers agreed at a meeting earlier this month that investing in infrastructure is the best use of public dollars to help Canada avoid recession.

The experience of provinces like Alberta and BC, which are on the leading edge of P3s, can help our nation weather the current economic uncertainty and usher in a new age for partnerships in building our nation.

Thank you all so much.

Thank you.