

Notes for a presentation to the
Core Area Liquid Waste Management Committee

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Check Against Delivery

Thank you for this opportunity to speak to you today.

This has been a very long and complicated process but I wanted to begin by congratulating you for a couple of things you have done very well.

First of all, you have shown a level of transparency that is unique in projects that are considering a public private partnership. I spend much of my time as a researcher trying to get information you have made public on your website. I don't think you realize how much you have raised the bar. In virtually every project that Partnerships BC is involved with, the Business Case for the Project is not released. I have been told that the Business Case for hospital projects is a Cabinet Secret.

You not only made the business case public, you made public comparative cash flow information for a public project, a P3 and a hybrid project. When the Directors of Metro Vancouver's TransLink were considering a P3 for the Canada Line, they were not even permitted to see the comparative cash flow information. They had to make the decision based only on the discounted "net present cost" number.

You have demanded more information and you insisted the public had a right to it. Congratulations.

Second, you demonstrated a willingness for real public consultation. You made sure the public had the right to express their views. Again, with many Partnerships BC projects this does not happen.

So again, congratulations.

On the basis of your work, you now know that a P3 will cost more. You know the public wants this to be a public project.

However, despite this today you are considering a recommendation that would see part of this project delivered as a P3.

I want to talk about some of the non-cost issues in signing a 30-year contract for a private.

You have been told that contracting out the work is a good idea because of efficiency and innovation in the private sector. But you have to ask yourself, if contracting out work is such a good idea, why have you never heard of a private company contracting out part of its work in a 35-year contract?

Some of you may know that Terasen Gas recently went to the BC Utilities Commission. One of the things they asked for was the ability to bring back in house their customer service function.

I would like to read you some of the reasons Terasen gave for wanting to get rid of a contract outsourcing their work.

They told the Utilities Commission:

- Where compensation for the outsource provider is fixed, efficiency improvements can be expected to financially benefit the outsource provider, rather than customers.
- Limited focus on quality beyond the specific metrics in the contract.
- Any improvements in service quality will be at an additional cost to Terasen Gas and customers.
- All changes to services or the addition of new services would be at an additional cost.
- Service levels are viewed as the maximum as well as the minimum. There is no perceived value to exceeding service levels unless there is a trigger for additional revenue.
- Outsourced call centers typically have higher turnover rates than in-house centers which impacts the quality of customer service.

- The knowledge of and control over business processes are still required by the Client (Terasen) and would need to be funded as an additional cost to the outsourcing contract.
- A utility will be one of many clients of the outsource provider and may be impacted by the competing interests and priorities of other clients in a shared resource model.
- Intellectual capital regarding customer issues and customer requirements is captured and held by the outsource provider. There is a risk of a knowledge gap developing between an organization and its customers.

Terasen concludes that “insourcing these critical functions is more flexible than an outsourcing arrangement, and will facilitate the Company’s ability to respond to future changes in customer expectations and industry trends in a more timely manner.”

Cost, public opinion and service quality all call for a fully publicly delivered project. It is the right decision and we urge you to take it.