Canadian Experience with PPP

Presentation to the CMAA
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September 27, 2012
WHAT IS A PPP IN CANADA?
PPP Defined

• Long term, performance-based contract
  o Combines design, build, maintain/rehabilitate and often finance
  o Government retains ownership and control
  o Risk transfer and innovation
  o Life cycle planning

• Objectives
  o Fair, open and transparent competitive process
  o Delivers value for taxpayer’s dollars
  o Public interest served
What it is **not**

- Privatization
  - Policy and programming is still provided by public sector
- An asset sale
- An off-book transaction
- Loss of control of government asset
Traditional Delivery Model

Program Plan
- Design
- Build
- Maintain

Manage Project

Finance Project
- Own Building
- Own Land

Program Delivery
- Facility Management Services

Public sector  Private partner
## Typical Risk Allocation in a PPP

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<th>Public Sector</th>
<th>Shared</th>
<th>Private Partner</th>
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<td>Financing</td>
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Purposes - Private Financing

• Financial capacity for the concessionaire to absorb risk, in the event of:
  o Deductions in ASPs due to poor performance
  o Occurrence of a transferred risk event

• Project oversight and risk mitigation
  o Lenders monitor the concessionaire/equity investor
  o Lenders take corrective actions if:
    ▪ Poor performance of concessionaire
    ▪ Inadequate financial capacity of concessionaire
How a PPP Generates Value for Money

• Robust competitive process leads to:
  o Innovation in design and construction
  o Effective maintenance alternatives
  o Cost-effective risk allocation
• Life cycle approach to development
  o Integration benefits
• Efficient financing, competitively sourced
PPP Process Overview

- **Concept Plan**: 2 to 4 months
- **Business Case & Design Concept**: 5 months to 2 years
- **Issue RFQ**: 12 to 18 months
- **Issue RFP**: 5 months to 2 years
- **Negotiate**: 5 months to 2 years
- **Design**: 2 to 4 years
- **Construction**: 2 to 4 years
- **Maintenance**: Contract Term (~15 to 40 yrs)
PPP Benefits

- Private sector innovation
- Asset condition
- Performance-based infrastructure
- Integration – creates efficiencies, cost savings
- Planning discipline
- Risk Transfer – e.g. design, cost, schedule
- Certainty – budget and schedule
PPP MARKETS
PPP Markets

- Global PPP market expanding rapidly
- Canadian market relatively mature
- U.S. market still in early stage of development
  - Florida I-595
  - California Long Beach Courthouse
- Government owners must maintain an appealing market
  - More market participants = more competition
  - Transparency, balance and commitment are critical
- PPP projects involve significant local involvement
Canadian PPP

Canadian PPP Capital Market Deal Volume

Source: Bloomberg and InfraAmericas

[Bar chart showing the deal volume in millions of CAD for the years 2007 to 2011.]
Canadian Model

- PPP Canada
- Infrastructure Ontario
- Infrastructure Quebec
- Alberta Infrastructure
- Partnerships BC
- Municipalities
Impact on Canadian Economy

- Adjustments in construction sector
- New market entrants
- Experienced legal and technical advisors
- New financial participation
- Pan-Canadian approach
PPPs in British Columbia

- PPPs are the right answer, some of the time
- Conditions for success are key
BC Model

- Political and stakeholder support
- Enabling policy framework
  - Business case must look at PPP if >$50m
  - PPP projects account for 20 – 25% of capital spending
- Centre of Expertise that works for both sides
- Focus on best practices
  - Commercial terms
  - Consistency and transparency
  - Appropriate risk allocation
  - Disclosure and transparency
BC - Project Procurement

• In most cases procurement process incorporates:
  o Fairness Advisor and COI Adjudicator
  o Payment of partial compensation
  o PBC documentation
  o Commitment to reporting on competitive selection process
PROJECTS
Projects in B.C.

$12.5+ billion invested, 30+ projects, $5 billion private capital

- Highways
- Bridges
- Rapid transit
- Acute care
- Outpatient care
- Long-term care
- Schools
- Energy
- Corrections
- Sports/leisure centre
- Water treatment
- Social housing
Transportation
Private sector innovation resulting in VFM of 24%
Emerging Sectors
QUESTIONS
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