

Special Report:

Public-private partnerships

a novel way to get things done





Public-private partnerships: what are they?

The Canadian Council for Public-Private Partnerships (CCPPP) was established in 1993 as a non-partisan, non-profit organization of national scope. It is dedicated to the concept of public-private partnerships and draws members from both the public and private sectors. The CCPPP conducts research, publishes research findings, facilitates discussion forums and sponsors an annual national conference on topics related to public-private partnerships.

The term ‘public-private partnership’ can mean different things to different people. While some don’t consider a traditional design-build agreement as a partnership, others prefer to use the term for any form of public-private collaborations.

The CCPPP has developed this definition:

“A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.”

Other definitions pertaining to public-private partnerships include:

Build-Lease-Operate-Transfer: The private sector designs, finances and constructs a new facility on public land under a long-term lease and operates the facility during the term of the lease. The private owner transfers the new facility to the public sector at the end of the lease term.

Build-Own-Operate: The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority.

Build-Own-Operate-Transfer: A private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector.

Buy-Build-Operate: Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of the transfer.

Design-Build: The private sector designs and builds infrastructure to meet public sector performance specifications, often for a fixed price so risk of cost overruns is transferred to the private sector.

Design-Build-Operate: A design-build contract for construction of infrastructure, followed up by an operating and maintenance contract. The assets remain publicly owned throughout.

Lease-Develop-Operate: A private or non-profit operator, under long-term lease, expands and operates an existing public facility. The expanded facility remains publicly owned and is transferred back to the

public sector at the end of the lease term.

Operation and Maintenance Contract: A private operator, under contract, operates a publicly owned asset for a specified term.

Service Contract: Similar to an operation and maintenance contract, except that any assets remain privately owned.

Operation License: A private operator receives a license or rights to operate a public service, usually for a specified term. This is often used in IT (information technology) projects.

Finance Only: A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as long-term lease or bond issue.

RFEI: Request for Expressions of Interest.

RFP: Request for Proposals.

RFQ: Request for Qualifications.

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Manitoba's P3 projects – we've only just begun

Manitoba has only seen the 'tip of the iceberg' when it comes to public-private partnership (P3) projects. In 1995, the **Charleswood Bridge** was an early example of what could result when governments and private industry cooperated on a venture. In fact, it was the first time in Canada that the public-private approach had been tried at the municipal level (it had been used previously in the construction of Ontario's Hwy. #407, Confederation Bridge linking PEI with New Brunswick, and the Pearson Airport).

In 1994, The City of Winnipeg decided that there was a need for a bridge spanning the Assiniboine River on Moray Street. This bridge would link South Winnipeg with Portage Avenue and give citizens from that part of the city quicker access to West Winnipeg, North Winnipeg and the downtown.

Before tendering, a private consortium was formed made up of **Ernst Hansch Construction Ltd.**, **Wardrop Engineering** and **RBC Dominion Securities**. The consortium was called **DBF Ltd.** for 'Design, Build and Finance.' The umbrella group would look after all aspects of the bridge's construction. This was different from the traditional system of the City calling for tenders for plans, choosing a plan, then calling for construction tenders, receiving dozens of tenders replete with contractors and subcontractors, and having to make more decisions in this area. DBF was able to handle everything pertaining to the bridge, from design to construction to landscaping.

The City leased the land to DBF. The developer then planned, designed, managed and built the bridge. It also took on the responsibility of any major maintenance costs. In turn, DBF leased the roadway and the bridge back to the City for a 30-year term, at which time the City has the option to purchase the bridge for \$2.5 million.

The project featured a number of innovations such as sub-drains, a new design for its piers and a revolutionary type of decking.

The new attitude of 'teamwork' also brought the project to completion in one year – half the time it usually takes to construct a bridge of this size and design. The consortium also brought the project in under budget.

The Charleswood Bridge is a Build-Lease-Operate-Transfer; Design-Build project.

Public-private partnerships can also occur as a service contract. This was the case for **Manitoba Government Online Services**. This story began in the early '90s when the Province spent a number of years redefining how it would deliver eGovernment applications. In 1997, the Province signed a five-year agreement with **IBM Canada Inc.** for delivery of electronic services across several departments. What became known as the *Better Systems Initiative (BSI)* launched eGovernment services through a central website.

Under the agreement, IBM provided hardware, application development, project management and integration services. IBM had first right of refusal for any new applications the Province wanted to develop and could subcontract services to other vendors. A key directive of the agreement was that all services were to be open, flexible, and scaleable.

The system consisted of the following five major services that were deployed to the Internet in 2001:

- Personal Property Registry – records personal property as security for a loan or collateral
- Land Titles Survey Index – a searchable database that enables a list of plans and deposits to be retrieved through a Dominion Government Survey search.
- Human Services Guide – describes services, eligibility information, and contact numbers for services or referrals.
- Subsidy Eligibility Estimator – estimates the family fee and the amount of child day care subsidy for a four-week period for a Manitoba family choosing licensed child care.

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“ The Charleswood Bridge was Canada's first public – private project at the municipal level. ”



- Student Financial Assistance – generate information about government financial programs (e.g., loans and bursaries) as well as on-line capability to apply for financial assistance.

The partnership gave the government a greater understanding of general and IT-specific project management and easy access to ‘trouble-shooter’ expertise. IBM benefited from the experience gained in a large multi-faceted contract and has enhanced the government services skills of its staff. Manitoba has been consulted by a number of domestic and international organizations as a model of eGovernment delivery.

The third example of public-private partnership in Manitoba is a work in progress. It is the **Winnipeg Water Treatment Project**. It involves a modernization of the current water treatment system.

Currently, the City of Winnipeg gets its water from Shoal Lake, 160 km to the southeast. The water is treated with chlorine and delivered via an aqueduct to four terminal reservoirs just east of the city. The water is



In 1995, Winnipeg’s Mayor Susan Thompson officially opened the Charleswood Bridge.

then rechlorinated, and fluoride and orthophosphate are added before it’s transferred to three balancing reservoirs adjoining pumping stations throughout the city.

In 1996, it was determined that the existing system did not adequately protect customers and would not conform to anticipated drinking water regulations. Extensive pilot work is assessing evolving water treatment technologies such as ultraviolet disinfection and membrane filtration. City officials will soon finalize a treatment

technology and undertake a study to determine how best to deliver the project. The study will consider various public-private options including design, construction, ownership and operation of the water treatment facility. The private partners that will be involved in the project have not yet been determined.

According to **Tom Pearson**, Manager, Water Services Division for the city’s Water and Waste Department, “We are looking at a completion date some time in 2007.”

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Innovation and excellence in public-private partnerships

Annually, the Canadian Council for Public-Private Partnerships acknowledges the leaders in public-private partnerships with its *National Awards for Innovation and Excellence*

in *Public-Private Partnerships*. In November 2002, the winners of the fifth annual awards were:

Gold: Project Financing – *City of London (ON) and Ellis-Don Ltd.* for the London Entertainment and Sports Centre.

Gold: Service Delivery – *Ontario Ministry of Public Safety & Security and Management and Training Corporation of Canada* for the Ontario Corrections' Central North Correctional Centre.

Gold: Infrastructure – *City of Chilliwack (BC) and Van Maren Construction* for the Five Corners Project.

Silver: Service Delivery – *Town of Canmore (AB) and EPCOR Water Services* for the Town of Canmore Utility Management Partnership.

Award of Merit: Infrastructure – *Town of Orangeville (ON) and the Orangeville-Brampton Railway Access Group* for the Orangeville-Brampton Railway Project.

Champion Award – *William McMillin (Mac) Carson* (past Chair, Ontario Housing Corporation).

The sponsors of the 2002 Awards Program were:

- Ontario SuperBuild Corporation
- Deloitte & Touche LLP
- TERANET Inc.
- PricewaterhouseCoopers
- Power Bud LLP

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The Minister says...

In a speech delivered in 2001 by the **Hon. Lucienne Robillard**, President of the Treasury Board and Minister responsible for Infrastructure, the Minister said:

“It is very clear why governments around the world are increasingly turning to public-private partnerships as a means of cost cutting and alternative service delivery. It is an effective method for gaining access to capital and for leveraging it. It is also a way to gain access to specialized, private sector expertise.

The private sector often has more freedom and expertise to respond quickly to market forces – to base decisions about service delivery based on sound business principles and local circumstances.

There is no question that we should pursue the excellent synergy that can be forged between the public and private sectors, recognizing and drawing upon the expertise and legitimate objectives of both parties. An incredible amount can be accomplished when we manage to dovetail the profit motive with the public policy imperative.

It is important to remember that public-private partnership does not mean that political responsibility has been passed along to the private sector. Quite the opposite: engaging in these partnerships often raises the importance of political accountability, because government still has to answer to the public.”