

# PPP Canada

*Build Infrastructure Better*

**Presentation to the  
Association of Manitoba Municipalities**

**The P3 Model and the P3 Canada Fund**

**Thursday 14<sup>th</sup> April, 2011**

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# Agenda

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1. Public-Private Partnerships – 101
2. The Canadian & Municipal Experience with the P3 model
3. PPP Canada & the P3 Canada Fund
4. P3 model- Considerations

# Public-Private Partnership: 101



# What is a Public-Private Partnership?

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- A long-term performance-based approach to procuring public infrastructure.
- Risks and rewards are assigned based on the expertise of each partner.
- Key risk elements include design, construction and the long-term operation/maintenance of the public infrastructure.



# Key Benefits of a P3

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- Improved certainty on project delivery
- Time savings
- Budget certainty
- Early involvement of the O&M partner in the design and construction phases
- Value for taxpayers

# How Do P3s Work?

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- Public sector defines the **WHAT** (infrastructure service and performance requirements)
- Private partner determines the **HOW**
- Private sector payments are linked to the availability of the service and performance of the infrastructure over the contract period



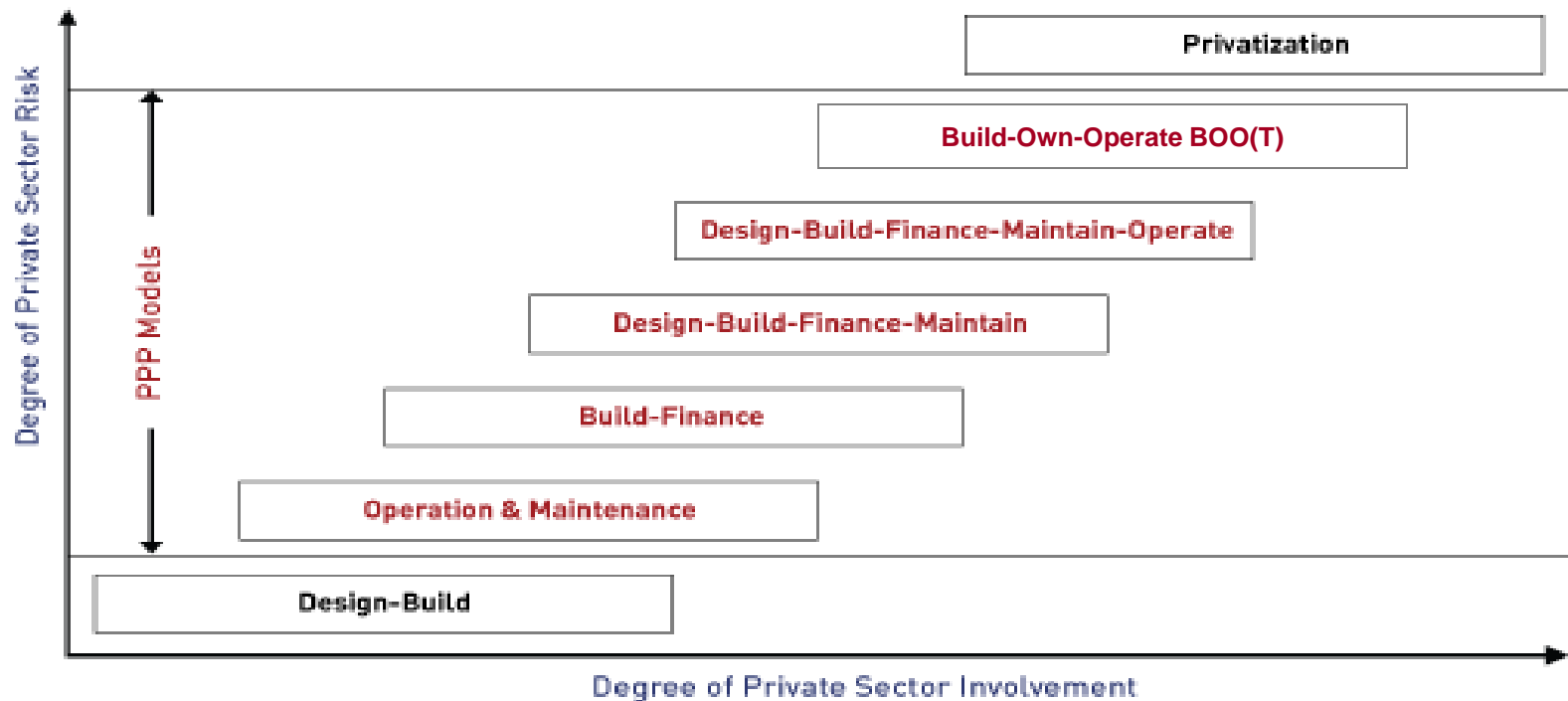
# The P3 Difference

Traditional Public Procurement	Public-Private Partnership
Public sector leads infrastructure development and management, from concept to the end of the infrastructure's life cycle	Private sector takes on integration responsibility in the infrastructure's development and management phases (beyond contractor role)
All infrastructure project risks are borne by the public sector	Infrastructure project risks assigned to the public and private sectors, as appropriate
Irregular payment schedule competing with other capital projects (construction, rehabilitation, etc.)	Predictable payments. Private incentives for infrastructure are based on performance/availability
Reduced opportunity for ancillary development.	Process encourages innovation and often provides ancillary development opportunities to the private sector

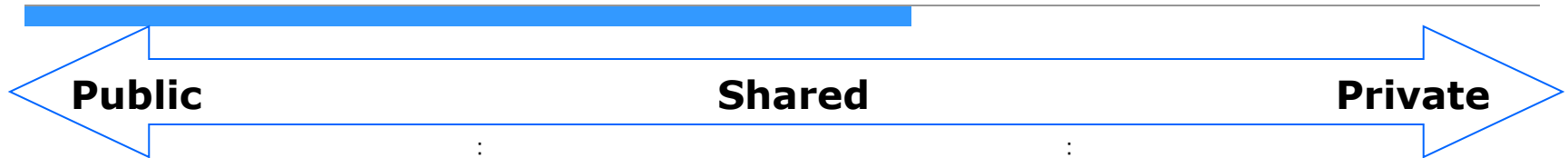


# P3 Models

## The Scale of Public-Private Partnerships: Risk Transfer & Private Sector Involvement



# Risk Allocation: Spectrum View

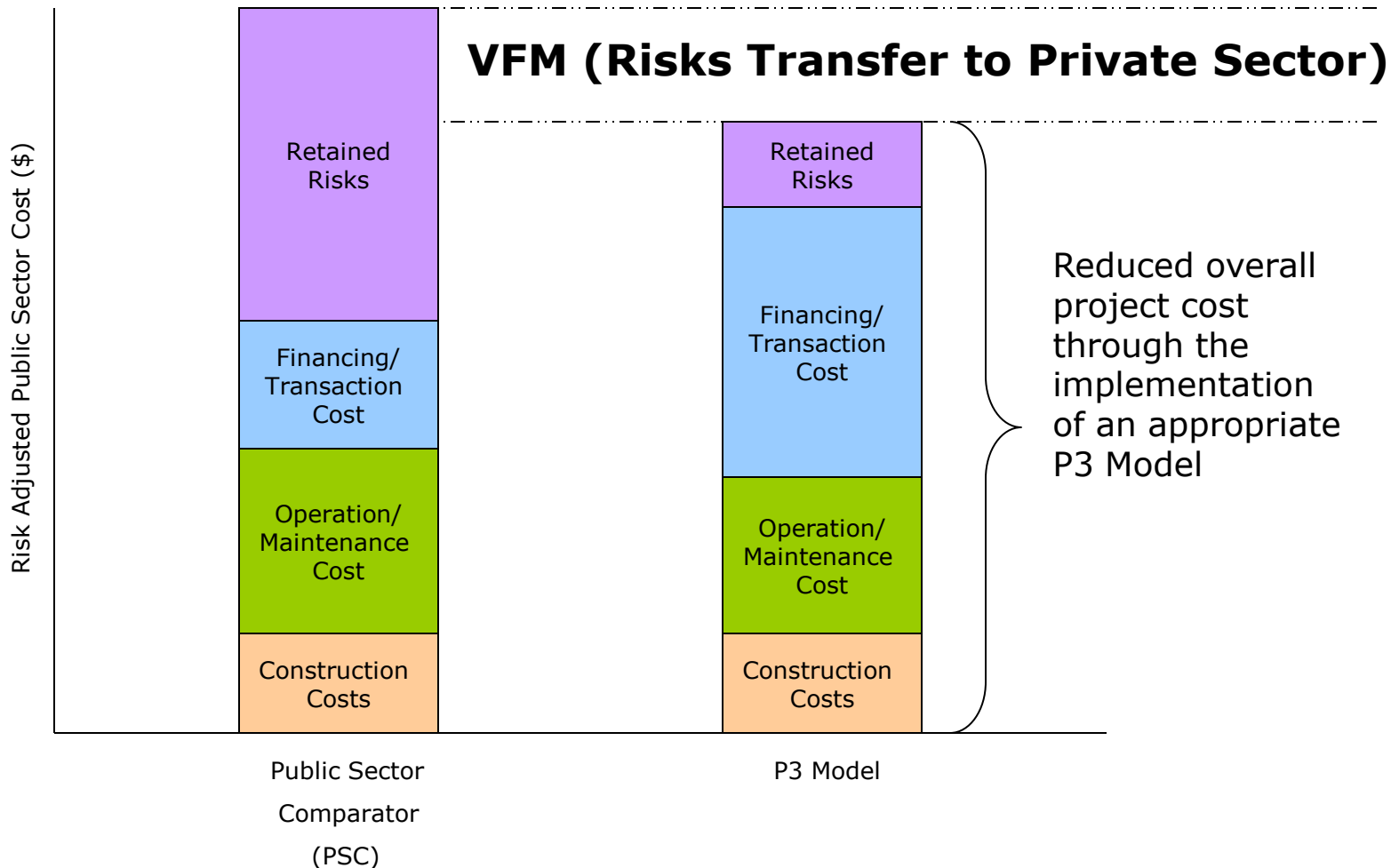


Public		Shared		Private	
Risk	Example	Risk	Example	Risk	Example
<b>Regulatory/ Political</b>	Provincial & Municipal elections	<b>Economic Development</b>	New jobs	<b>Design</b>	Integration risks
<b>Environmental</b>	Env'tal assessment	<b>Demand/ Usage</b>	Revenue sharing/ Finders fee	<b>Permits/ Approvals</b>	Ensuring meets code
<b>Tendering Process</b>	Ensuring a fair & transparent process	<b>Utility Usage</b>	Rates/ Consumption	<b>Date and Cost Certainty</b>	If missed, penalty is applied
<b>Force Majeure</b>	Earthquake, Tornado	<b>Employee Relations</b>	Unions & labour issues	<b>Operation</b>	Operation inefficiencies
		<b>Technological Obsolescence</b>	(self explanatory)	<b>Maintenance</b>	Higher maintenance required
				<b>Inflation &amp; Interest Rates</b>	Increase in rates



# Key Benefit of P3 Approach:

## Cost Savings through Positive Value for Money (VFM)





# What Kind of Projects Make Good P3s?

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Successful P3 projects usually have some or all of the following characteristics:

- Projects that can **successfully attract private sector interest and financing** in the market place;
- **Complex projects** which have the potential to find efficiencies through innovation;
- Project is **outside the core competency of government** (i.e. purpose-built infrastructure or specialized skills);
- Provide for **risk transfer** for some or all of the components of the project (Design, Build, Finance, Operate & Maintain)
- **Output specifications** can be identified, articulated and measured clearly.

# P3 Attributes

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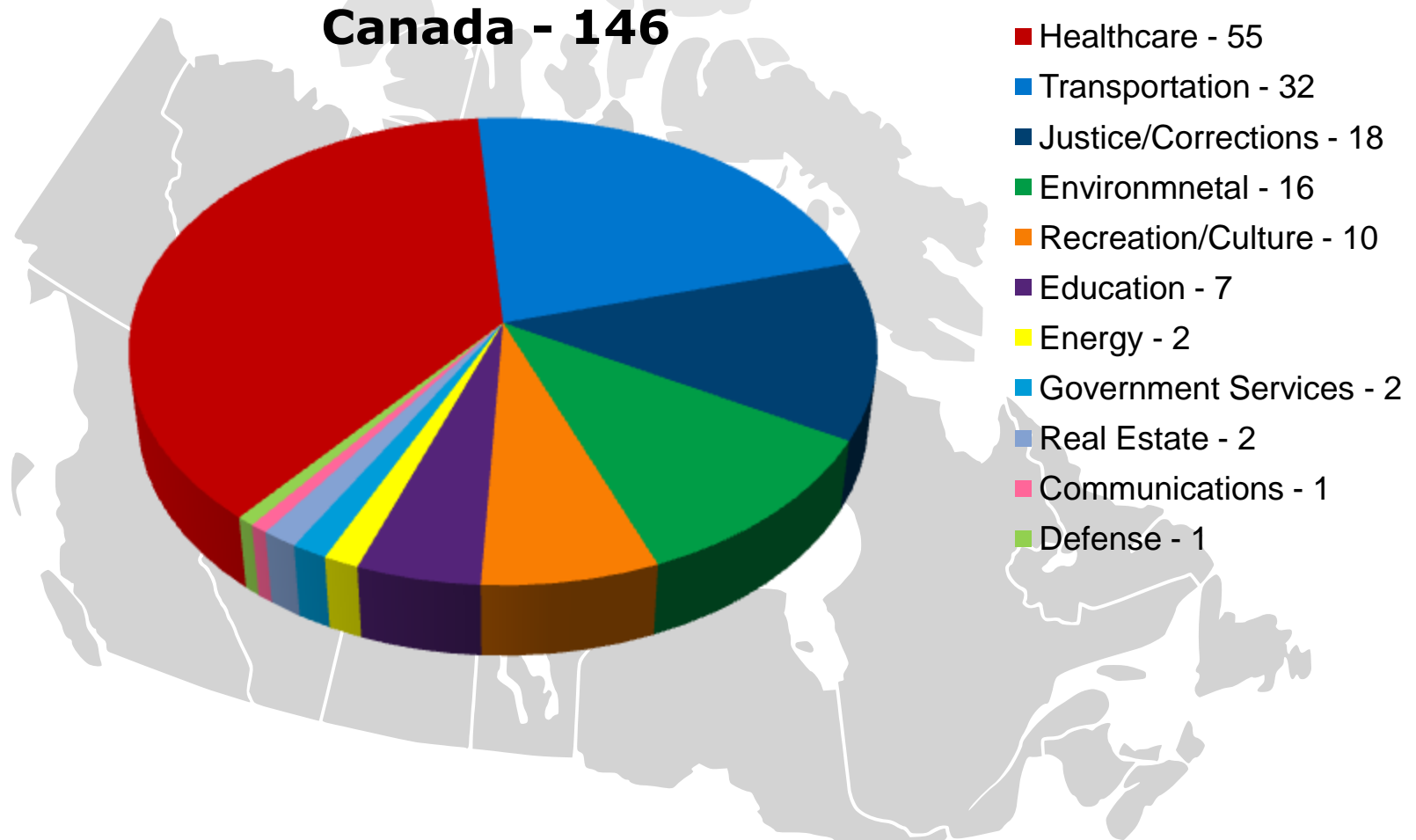
- Risk Workshop
- Public Sector Comparator
- Value for Money analysis
- Market Testing
- Fairness Commissioner
- Availability or performance payments
- Guaranteed Handover conditions



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# **The Canadian and Municipal Experience with the P3 model**

# Inventory of Canadian P3 Projects to date





# Municipal P3s in Canada

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- **Municipalities have begun adopting P3 procurement policies**
  - Winnipeg, Manitoba
  - Edmonton, Alberta
  - Calgary, Alberta
  
- **Increasing interest and capacity at the municipal level**
  - Ottawa – Shenkman Arts Centre, Seniors Residence, Arenas, Recreation Facilities and the Ottawa Paramedic HQ
  - Vancouver – Canada Line Light Rail Project
  - Winnipeg – Chief Peguis Trail Extension, Disraeli Bridge
  
- **Strong need for infrastructure in First Nations but limited capacity to procure**

# P3 Perspectives – Public Sector

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- Helps the government advance and meet infrastructure requirements
- Guaranteed project delivery and cost
- Ensures continued life cycle investment
- Access to other ancillaries services/markets
- Opportunity for shared risk

# P3 Perspectives – Private Sector

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- Stable/ bankable partner
- Ability to provide additional or higher levels of services
- Long term revenue streams
- Opportunities to demonstrate innovation in service delivery

# How Can Smaller Municipalities Do P3s?

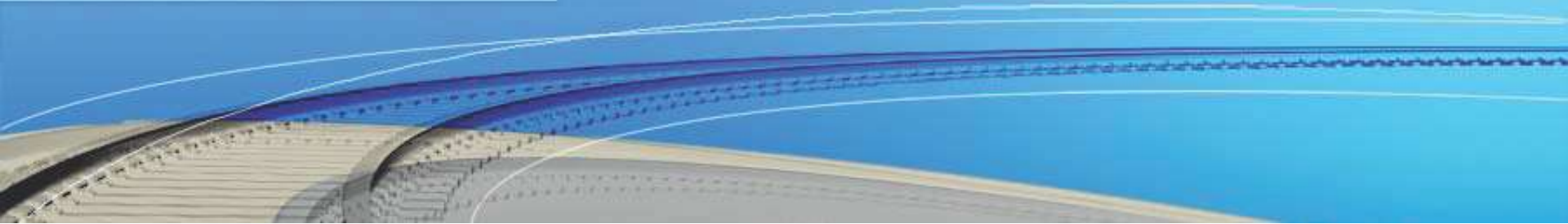
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- Bundling:
  - Common infrastructure needs
    - (e.g. recreational services, waste water infrastructure, etc...)
  - Complementary infrastructure needs
    - (e.g. components of a transportation system)
      - communication system, buses, maintenance facility etc
  - Partnering with other municipalities

# Value Municipalities can bring to the table

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- Land development opportunities and municipal revenue streams
- Government covenant
- Waiving of various fees
- Access to other levels of government funding
- Removing risks
  - Commissioning feasibility & environmental studies
  - Initiating land division and rezoning applications etc



# PPP Canada & the P3 Canada Fund

# PPP Canada

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- Who is PPP Canada:
  - PPP Canada is a Crown Corporation established to support the development of public-private partnerships (P3) and facilitate the development of the Canadian P3 market
- PPP Canada's Mission:
  - To improve the delivery of public infrastructure by achieving better value, timeliness and accountability through the P3 procurement model.
- Corporate Objectives:
  - More P3 projects: by leveraging incentives, demonstrating success and providing expertise
  - Better P3 projects: by promoting P3 best-practice and capacity-building



# Moving the Market

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- **Round 1**
  - Closed October 2009
  - Three funding approvals announced in April 2010
  
- **Round 2**
  - Closed July 2010
  - 73 project applications, \$11 Billion +, 9 provinces and territories, 35 municipal projects
  - Funding announcements pending
  
- **Round 3:**
  - **Spring 2011**

# P3 Canada Fund

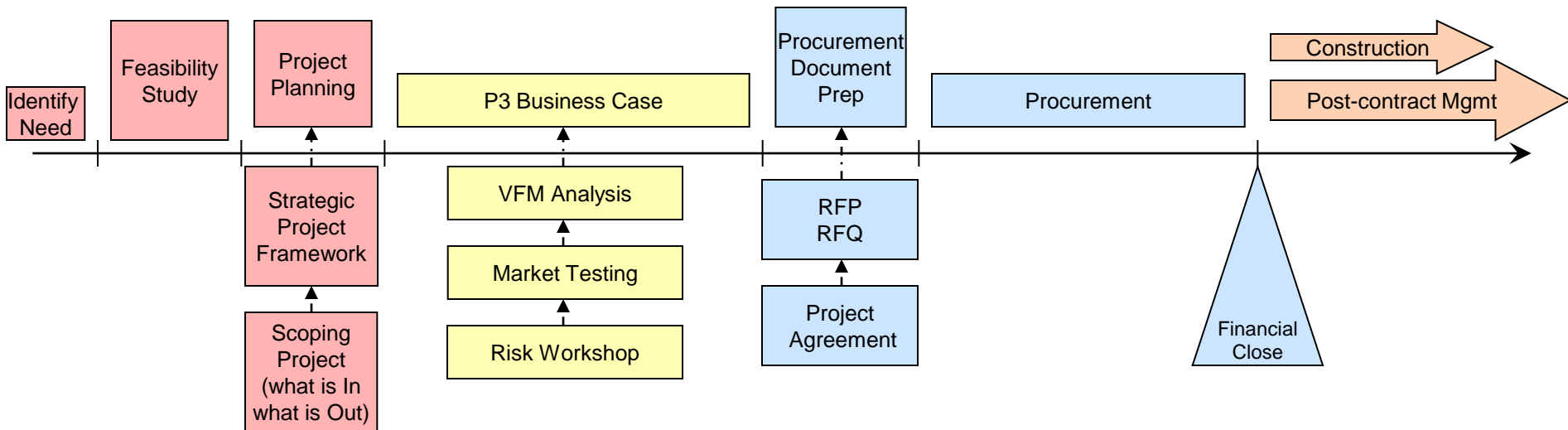
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- 16 eligible categories
- Merit based process (mandatory and rated criteria)
- 3 Staged Selection and Application Process
- Nature and level of funding support will depend on the project:
  - Range of potential instruments include contributions, loans and loan guarantees
  - Maximum contribution is 25% of eligible costs
- Stacking rules with respect to Federal funding apply to the P3 Canada Fund



# P3 Roadmap

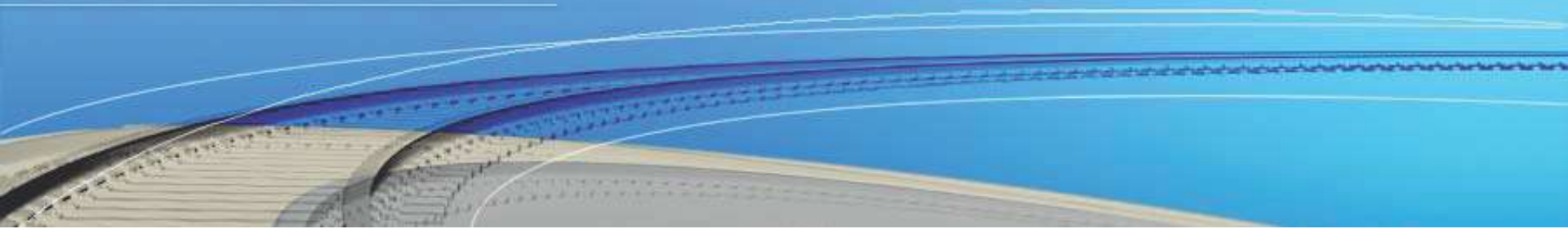


# P3 Canada Tools and Services

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- Roster of Pre-Qualified P3 Professionals
- P3 Canada Fund
- P3 advice on Best Practices
- P3 Introductory Workshops
  - Next Workshop – in Winnipeg on May 25<sup>th</sup>
  - 15 to 25 participants





# P3 Model: Considerations

# The Reality About P3s

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- P3s are more complex than a traditional procurement
- P3s require significant upfront planning and involve higher transaction costs
- Communication is critical at all stages of the process
- P3s are not appropriate for every project

# Considerations

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- Government's covenant is critical
- Construction will be completed in 18- 24 months, contract management can last up to 30 years
- Good governance structure/ accountability
- Due diligence is a two-way street
- Transfer risks where appropriate

# Consideration (cont'd)

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- Plan for change
- Need to have in place the internal capacity to execute and manage the project
- Make sure the performance requirements are realistic and can be fairly measured
- Stay focused 80:20 rule



Contact us

## Questions?

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