Public Private Partnerships in B.C.

Northwest Construction Consumer Council Annual Conference
“New Realities in Project Delivery”
November 2, 2011
Michael Houle, Project Director, Partnerships BC
PPP Policy in B.C.

1990s: Significant infrastructure gap
- Governments of the day fell behind on investments
- Most dramatic needs in health, education and transportation
- High profile traditional procurement problems (scope, schedule, deferred maintenance)

2000s: Commitment to address gap
- $6-8 billion in capital spending
- Introduction of PPP approach
PPP Defined

- Long-term, performance-based contract
  - Combines design, build, operate and often finance
    - DB, DBF considered in spectrum
    - Majority of projects with financing are >$60M
- Government retains ownership and control
- Risk transfer and innovation
- Life cycle planning

Objectives

- Fair, open and transparent competitive process
- Delivers value for taxpayers’ dollars
Traditional Infrastructure Delivery Model

- Need and Scope
  - Design
  - Build
  - Maintain/Rehab
- Program Delivery (e.g. clinical)
- Finance Project
- Own Building
- Own Land

Accountability for Project

Public sector

Private partner
PPP Infrastructure Delivery Model

Accountability for Project

Need and Scope
- Design
- Build
- Maintain/Rehab

Program Delivery (e.g. clinical)
- Facility Management Services

Finance Project

Own Building

Own Land

Public sector

Private partner
Typical PPP Structure - Availability

- Province
  - Availability Payments
  - Concession Agreement
- Concessionaire
  - Subcontractors
  - DB
  - OMR
- Lenders
- Private Finance
  - Investment
  - Net Operating Cashflows
- Sponsors
  - (Equity)
Key PPP Aspects - Project Cash Flows

P3 Expenditure Profile
P3 Revenue Profile

Date

C$ million

2008 2013 2018 2023 2028 2033 2038 2043
# Typical Risk Allocation in a PPP

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Shared</th>
<th>Private Partner</th>
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<tr>
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<td>Environmental</td>
<td>Design</td>
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<td>Program Delivery / Decision-making</td>
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<td></td>
<td>Force Majeure</td>
<td>Life cycle capital</td>
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<tr>
<td></td>
<td>Existing site conditions</td>
<td>Schedule</td>
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<td></td>
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<td>Financing</td>
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PPP Benefits

- Innovation
- Asset condition
- Performance-based infrastructure
- Integration – creates efficiencies, costs savings
- Discipline – financier
- Risk transfer – e.g. design, cost, schedule
- Certainty – budget and schedule
Essential Elements for Success

- Political and stakeholder support
- Enabling policy framework
- Focused delivery agency
  - Blend of public and private sector experience
- Flexibility and market alignment
- Focus on best practices
State of PPP Market

- Expanding Canadian market as PPP projects increase
- Growing political commitment to PPPs across Canada
  - Alberta, Saskatchewan, Winnipeg, Quebec, Ontario, N.S., and N.B.
- U.S. market still in early stage of development
- Increased competition for bidders – more market participants in North America
- Bidder response is at a high point
- Significant local performance on bid teams
PPP Initiative in B.C.

- Program began in 2001
- Significant ongoing infrastructure requirement
- Provincial total capital spending ~ $6 billion annually
- PPP spending ~ $1 – $1.5 billion annually
- PPPs are the right answer, some of the time
  - One tool in the toolkit
- Canadian market has expanded considerably in this time
Policy, Partnerships BC and Projects
B.C. Capital Policy Framework

- Provincial commitment to PPP
- 2002 Introduction of Capital Asset Management Framework
- $50 million capital standard policy
  - PPP is base case for major projects
  - Improve / expedite business case planning
  - Lever best practice
- Projects with a capital value between $20 million to $50 million undergo an early project screen
Partnerships BC Overview

- Created in 2002: evaluate, structure, implement PPPs
- Board of Directors
  - Governance
  - Recommendations to Province
- Staff of 40
  - Projects
  - Best Practices
## Partnerships BC Scope

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<td>☑ Procurement Process Management</td>
<td>☑ Construction Oversight and Contract Management – Advisory</td>
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<tr>
<td>☑ Procurement Options Assessment</td>
<td>☑ Evaluation Management</td>
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- **Best Practices & Documentation**
- **Strategic Communications & Stakeholder Relations**
- **Knowledge Management & Recommendations to Treasury Board**
PPP Projects in B.C.

- More than $12.5 billion invested in 35+ partnership projects; $5 billion in private capital
  - Highways
  - Bridges
  - Rapid Transit
  - Acute Care
  - Outpatient Care
  - Long-term Care Facilities
  - Schools
  - Energy
  - Corrections
  - Sports Centre
  - Water Treatment

- 31 provincial, national and international project awards
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