



Strategies for Financing Capital Projects The Federal Transportation Story



May 2006

Canada

Overview

- Past Successes
 - Confederation Bridge
- Current Projects
 - Canada Line
- Off Budget Financing
 - Airports
 - Ports
- Conclusion



Past Success

- Past success with transportation P3 projects includes:
 - Confederation Bridge, PEI
 - Highway 104 (Cobequid Pass), NS
- Transport Canada continues to manage surface transportation related P3 projects.



Confederation Bridge

- In 1987, Canada issued a proposal call challenging the private sector to devise an environmentally, technically and financially sound proposal.
- The 12.9 km 2 lane structure, was started in 1993, and completed in May 1997
- Capital Cost approximately \$1B
- Annual adjusted government subsidy of 41.9 million (\$1992) and tolls generate revenue.
- The Federal Government will take over administration of the bridge in 2032.



Confederation Bridge Financing

Partner	Contribution	Comment
Strait Crossing Development Inc. (consortium of 4 companies)		Strait Crossing Development Inc. finance, manage, design, plan, engineer, procure, construct, commission, operate. Created subsidy bonds. Debt fully serviced through the bond trustee, by Canada's commitment to irrevocable payment.
Federal Government		Government funding had to be irrevocable. Annual CPI adjusted government subsidy of \$41.9M (1992\$) for 35 years (Approx. \$1.5B (1992) went into the subsidy trust account. other direct costs of the federal government include: \$46.0 million for project management; \$41 million (1992 dollars) for highway upgrading in PEI and NB \$15 million (1992 dollars) for regional redevelopment
New Brunswick		Straight Crossing Financing Incorporated est. by NB to facilitate the financing.
Total Construction Cost	App. \$1B	



Current Projects

Currently, Transport Canada is managing four P3 projects under the Canada Strategic Infrastructure Fund (CSIF):

- Canada Line – former Richmond-Airport-Vancouver (RAV), Vancouver, BC
- Anthony Henday Drive ring road, Edmonton, AB
- Kicking Horse Canyon, BC
- New Brunswick Twinning of the Trans-Canada Highway

Other projects in development include:

- Highway 30 (Autoroute 30), Montreal, QC
- Ottawa Light Rail Transit (LRT), ON





RICHMOND-AIRPORT-VANCOUVER RAPID TRANSIT

- Canada Line is a 18.5 km Light Rail Transit line, linking central Richmond, Vancouver International Airport and downtown Vancouver.
- Construction of the project began in November 2005 and completion by November 2009
- The project is a Public-Private Partnership (P3).
- The total cost, including financing costs, is approximately \$1.9 billion
- The Canada Line project is proceeding on a fast track (2010 Olympics and Paralympics Games).
- Canada's funding contribution of \$450 million was approved by Treasury Board on April 11, 2005. Contribution is governed by the Canada Strategic Infrastructure Fund (CSIF).
- The concessionaire is responsible for the majority of the construction risk, while the public sector (GVTA) retains the majority of the rider ship and revenue risk.



continued

Contributions by Partner

Partner	Contribution \$ millions	Comment
Concessionaire - Canada Line Rapid Transit Inc. (CLCO)	\$650	Financed through bank debt and equity, including deferred provincial share
Federal Government	\$450	CSIF - \$240 million MRIF - \$60 million **additional \$150 million
Province*	\$435	\$152 million will be deferred and paid during the 30 year operating period
GVTA (a.k.a Translink)*	\$321	
Vancouver International Airport*	\$245	
City of Vancouver*	\$27	
Total	\$1, 900	

*other funding agencies' contributions are shown in \$ 2003

**part of Canada's contribution to the 2010 Olympics and Paralympics Games



Off Budget Financing

- Although not traditionally thought of as P3s, TC has used alternative governance financing arrangements to shift the burden of infrastructure funding from the public to the private sector and user.
- Off Budget financing does not require additional utilisation of government revenue
- Airports and ports are managed by not-for profit corporations that raise capital through user fees and invest in infrastructure.

Alternative governance has generated significant investment from the capital market

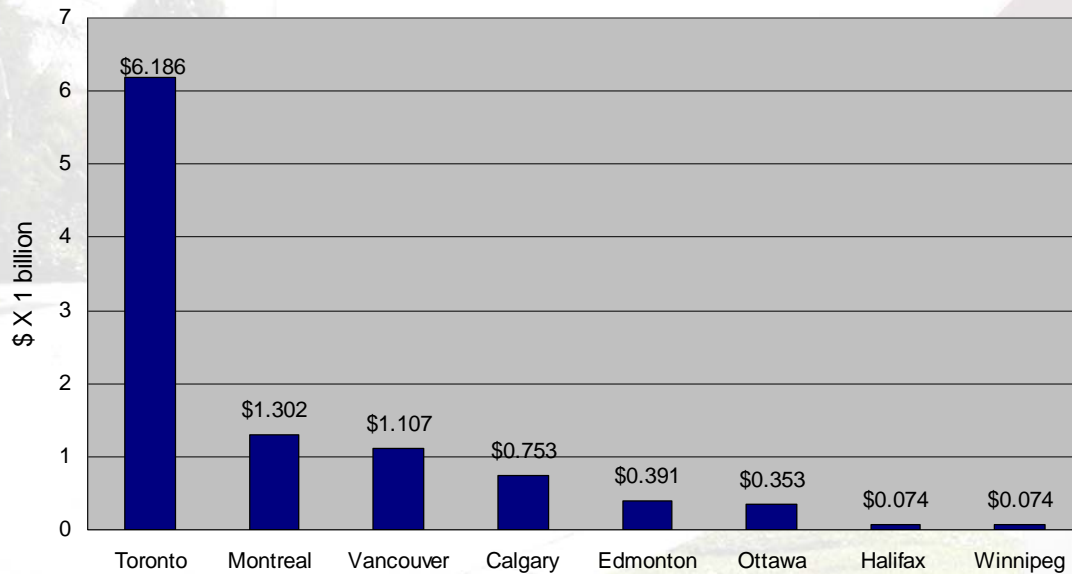


Airports

- Pre National Airports Policy (NAP) government roles included:
 - Operator, financier, landlord, regulator, and advisor.
- 1994 National Airports Policy
 - Clearly-defined a policy for airports.
 - Established a national airport system.
 - The cost of running Canada's airports shifted from taxpayers to users.
 - Market discipline imposed on the development and operation of airports.
- Pre NAP, national and regional imbalances developed with respect to facilities and funding.
- NAP enabled access to private investment and innovative financing.



Capital Expenditures From Transfer to 2004 8 NAS Airports

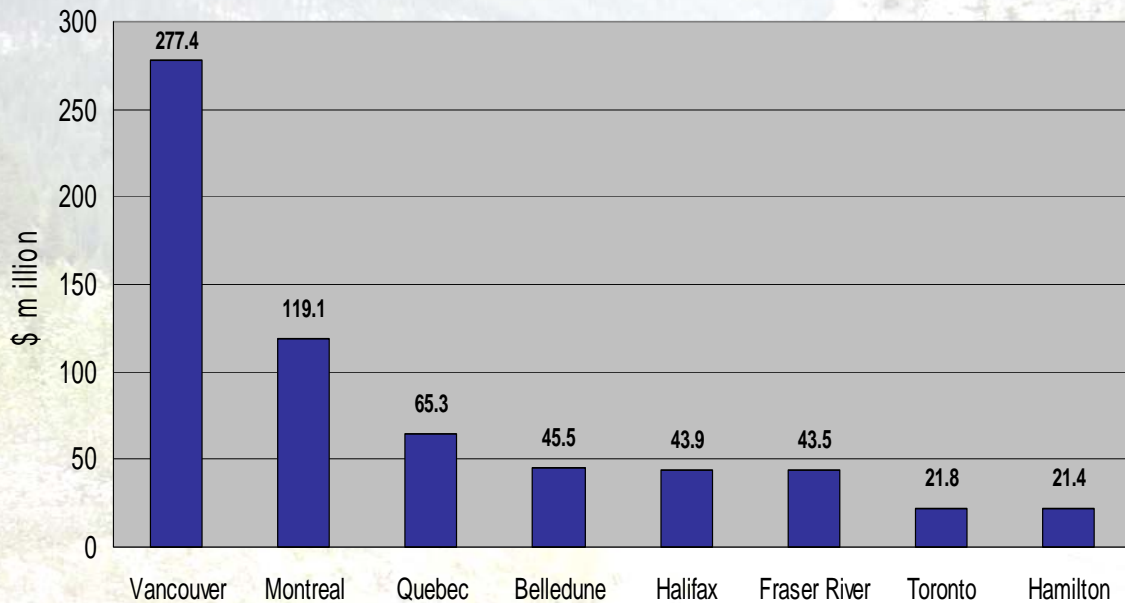


Ports

- Pre-National Marine Policy (NMP):
 - System overcapacity and inefficiency were recognized.
 - Ports operated under different legislative regimes, each with its own mandate, and financial rules and regulations.
 - Transport Canada was direct operator of app. 570 ports.
- The 1995 NMP in responding to this overbuilt subsidy-dependent system, established:
 - Objectives to ensure affordable, effective, and safe marine transportation services and to ensure fair competition
 - NMP shifted financial burden from taxpayers to users
- Pre-NMP, effective decision making was stifled. Commercialization facilitated more efficient operations.



Port Capital Expenditures From Transfer to 2004 8 Canada Port Authorities

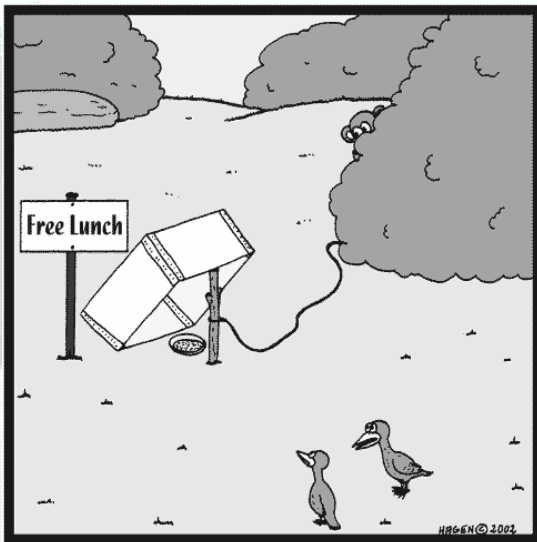


Concluding Remarks

- The projects we looked at today represent a total of approximately \$25 Billion in capital.
- The federal contribution approximates \$2.5 Billion.



TANSTAAFL



**"There Ain't
No Such
Thing As A
Free Lunch"**

Robert A. Heinlein

