

An Overview of Public Private Partnerships

NEFPP Presentation
May 11th, 2006

Presentation Overview

- **BC Government Infrastructure Challenge**
- **Partnerships BC – role & model**
- **The Partnership Spectrum**
- **Cost of Private Sector Financing**
- **Accounting Treatment**
- **Benefits Realized To-date**

BC Government Infrastructure Focus

- **Government commitments**
 - Deliver on provincial investment priorities (5000 beds; 25,000 seats; 2010; Pacific Gateway)
 - Continue financial accountability
- **Strategy**
 - Explore alternatives (PPP, asset leveraging)
 - Improve business planning
 - Mitigate Provincial cost/financial exposures
 - Focus on the balance sheet (declining debt-to-GDP)

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Driver of Change in BC Infrastructure Projects

- **Government Capital Asset Policy**
 - *Capital Asset Management Framework* encourages public agencies to find efficient ways to meet capital service delivery needs

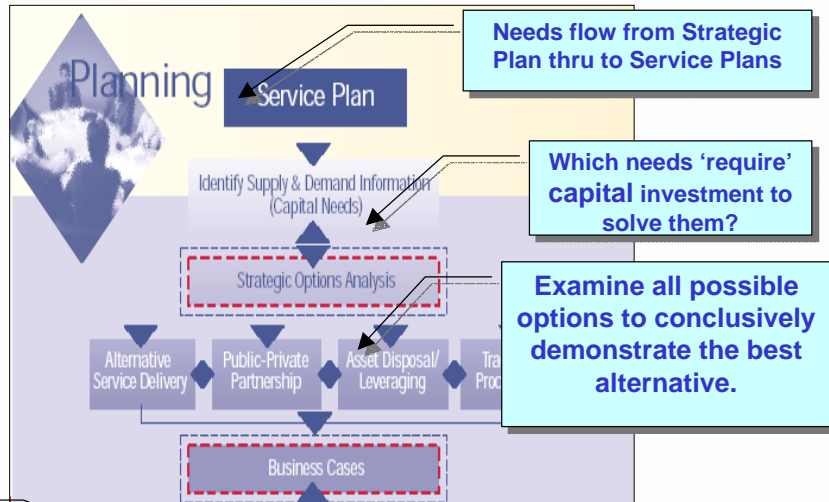
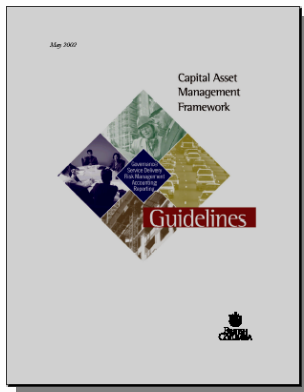


The framework asks

- Is there a way to meet needs without new capital spending?
- Is there a way to better use or manage existing assets to reduce the need for additional expenditures?
- Is there a way to share the cost and risk of capital acquisition?

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Provincial Capital Process



Document that analysis in a business case.

Partnerships BC - Role and Model

- Established in 2002 - BC Company owned by the Province
- Develop partnership market
 - Attracting PPP businesses to BC
 - Centre of expertise
 - Generate “deal flow”
- Business model
 - Government clients
 - Cost of service
 - Embedded in project teams
 - Reduce transaction costs
 - To date: 10 deals and \$4.3 billion invested

PBC Value Proposition

Business Planning

- Risk analysis
- Procurement analysis
- Quantitative analysis
- Project management and governance

Approvals

- Knowledge of government processes
- Submission templates (e.g.. Term sheets)
- Shareholder relationship

Procurement Process

- Standard procurement documents
- Evaluation approaches
- Alternative models
- Procurement management

General P3 Best Practices and Policies

- Conflict of interest
- Honoraria
- Strategic communications
- Value for money

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Our Projects



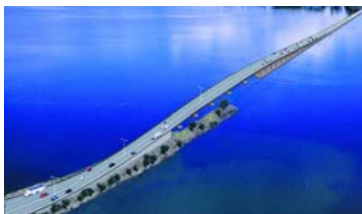
Britannia Mine



Sea-to-Sky Highway



Sierra Yoyo Desan Road



William R. Bennett Bridge



Kicking Horse Canyon



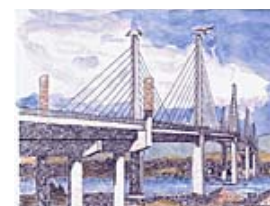
Canada Line



Academic Ambulatory Care



Abbotsford Regional Hospital and Cancer Centre



Golden Ears Bridge

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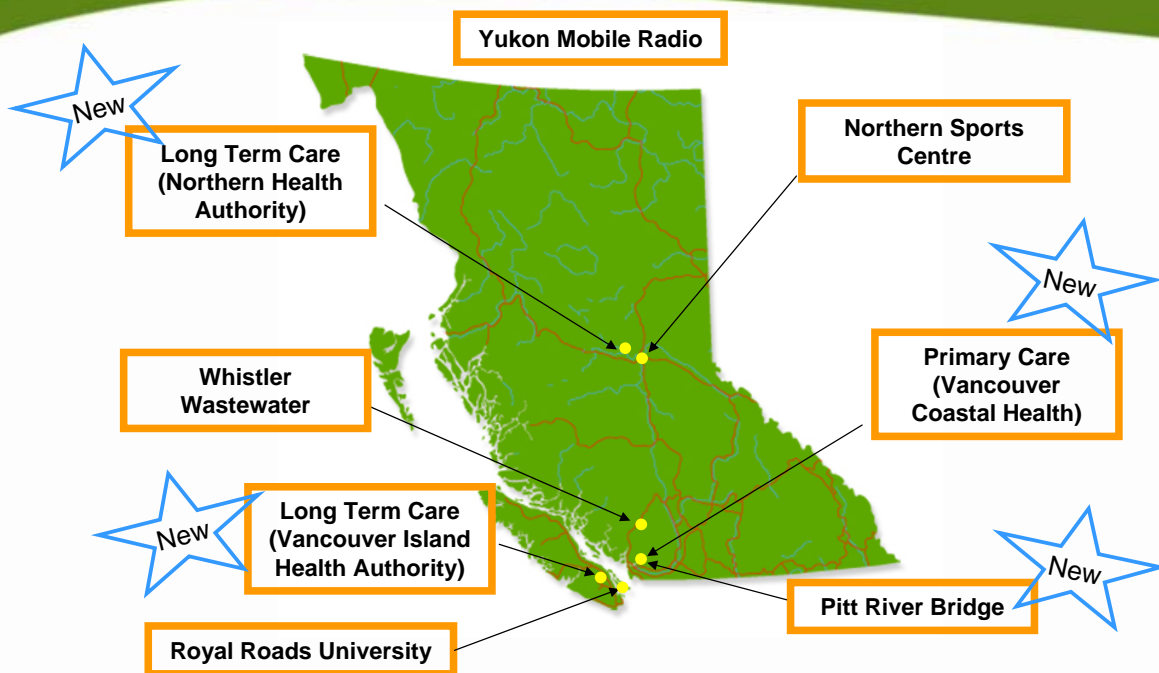
Status of PPP Projects – Value for Money

PROJECT	LIFE-CYCLE COST SAVINGS	% OF PROJECT COST
Sierra Yoyo Desan Resource Road	Completed 3 months ahead of schedule	
Academic Ambulatory Care Centre (VGH)	\$17 million	15%
Abbotsford Regional Hospital and Cancer Centre	\$39 million	10%
Britannia Mine Water Treatment Plant	\$10 million	30%
Sea to Sky Highway Improvement Project	\$131 million in road user benefits	26%
William R. Bennett Bridge	\$25 million	16%
Richmond-Airport-Vancouver Rapid Transit	\$92 million	6%
Kicking Horse Canyon	VFM Report – April 2006	
Golden Ears Bridge	VFM Report under development	

\$4.3 billion investment: \$3 billion private capital

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Projects in the Market

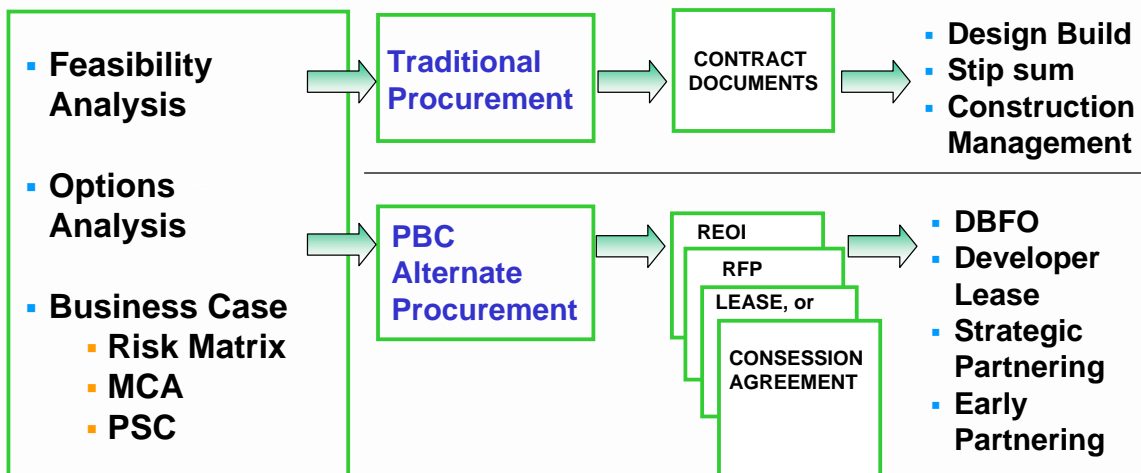


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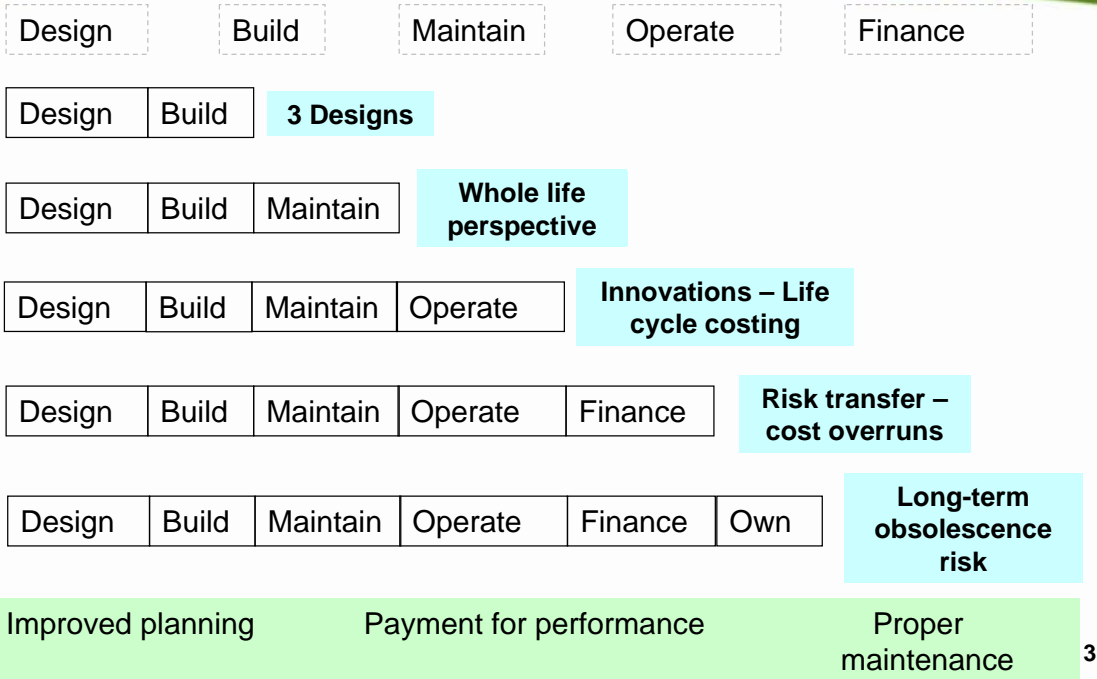
PPP Not a Panacea

- **Not all projects are suitable for PPP:**
 - **Scope for innovation and risk transfer**
 - **Scale to bare transaction costs**
 - **Standardize – smaller transactions more feasible**
 - **Scope for operations/maintenance contract (life cycle risk and cost management)**

How We Do It



Comparative Advantages



Value for Money

Value for Money is a function of

- **Competition**
- **Risk allocation**

VFM = *fx* (competition; risk allocation)

- SUCCESS**
- **Select the right projects**
 - **Maximize competition**
 - **Efficient allocation of risk**

Government Financing Costs Are Lower – Right?

- **If you adjust government's risk free rate to reflect project risk is there a difference in borrowing costs?**
- **Have to look at total risk-adjusted life cycle costs to make the comparison**
- **Public sector cannot replicate value brought by lenders**
 - **Incentives**
 - **Discipline**
 - **Speed**

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Accounting Treatment

- **Value for money is the top priority**
- **Greater focus on debt-to-GDP**
- **Looking at other models – but not at the expense of value for money**
- **Accounting standards & guidelines change**

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Benefits Realized So Far

- **Better project delivery**
 - Lifecycle perspective
 - Formal governance
 - Competition drives innovation
 - Transparency and fairness
- **Transfer appropriate risks**
 - Fixed-price contracts
 - Meet schedule
- **Long term certainty cash flow**
- **Asset maintenance certainty**
- **Improved knowledge and due diligence**
- **Performance-based contract**
- **Better value for money**

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