P3s in Infrastructure

Changing Government Procurement & Implementation

A presentation to:
BC Expropriation Association
25th October, 2002

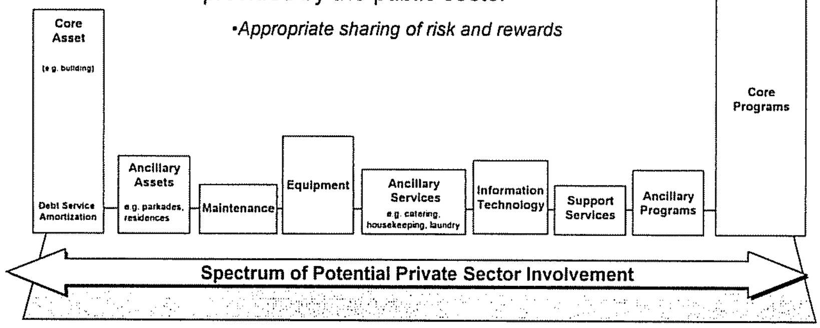
Why P3s

- **Government emphasis**
  - Increased private sector involvement
  - Open procurement
  - Lack of capital, provincial financial problems
- **Ministry/agency dimension**
  - Increasing service demand & service rationalisation
  - New projects may help meet fiscal targets
    - Justification: improved efficiency
    - Implies closures of less efficient projects/services
- **Fundamental key: scope management**

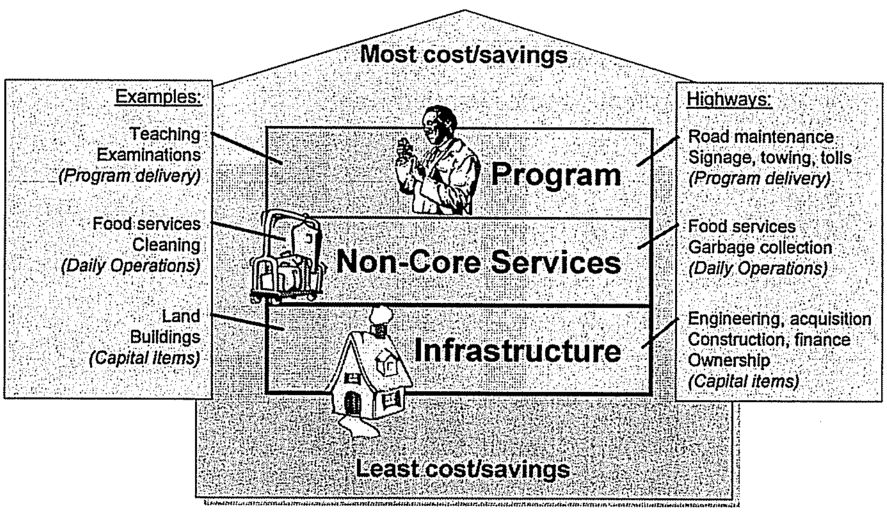
P3 Definition

"Contractual arrangements between government & a private party to provide assets and the delivery of services that have traditionally been provided by the public sector"

•*Appropriate sharing of risk and rewards*

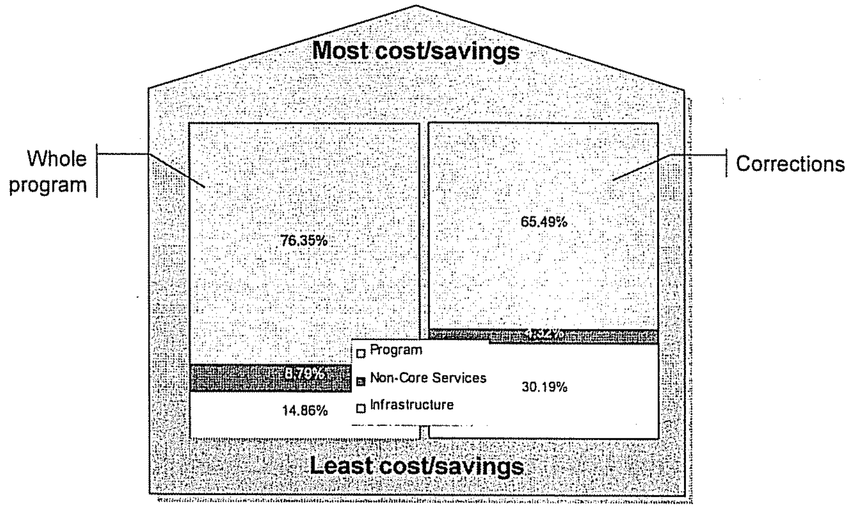


The Business: P3 Components



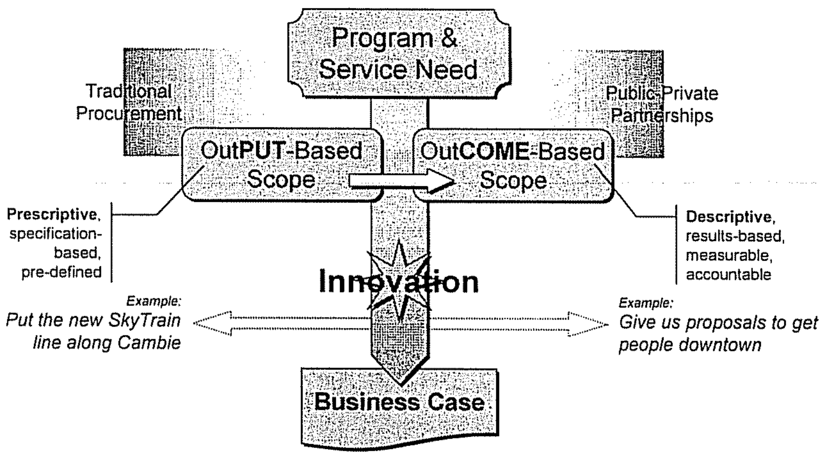
Relative Importance/Value

Public Safety & Solicitor General

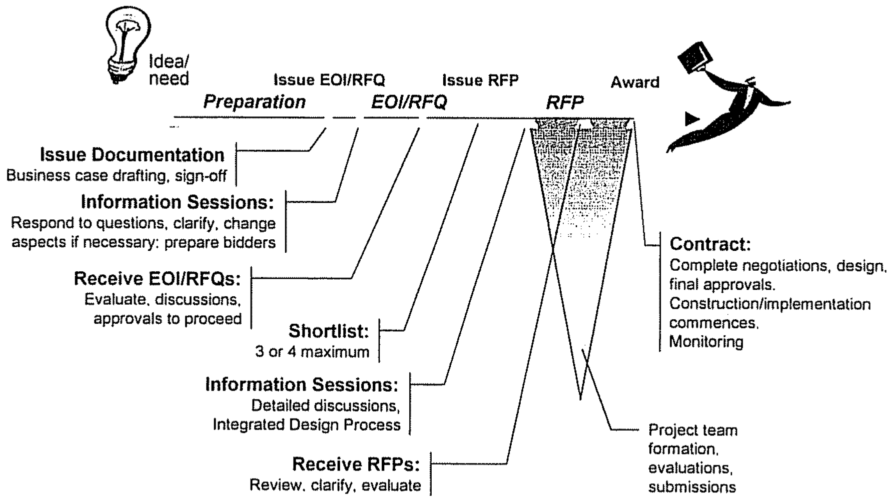


Source: Based on BC Government Estimates – "Blue Book"

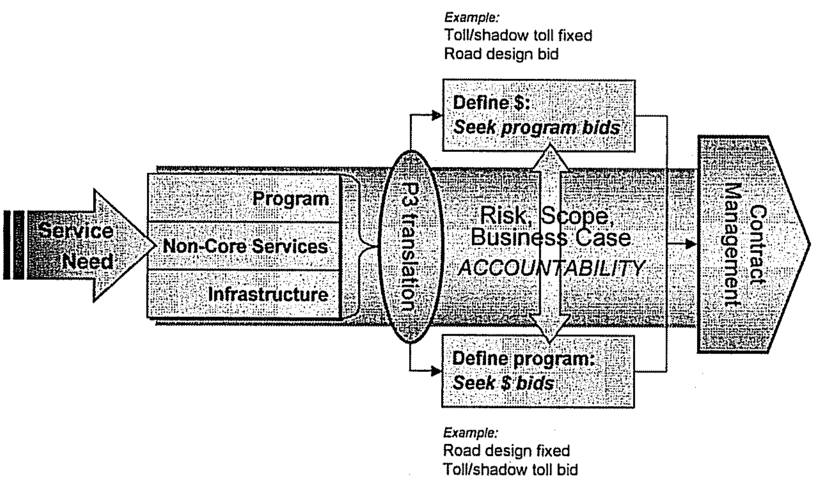
Underlying Difference: Translation to Business Case



Typical Proposal Call Summary

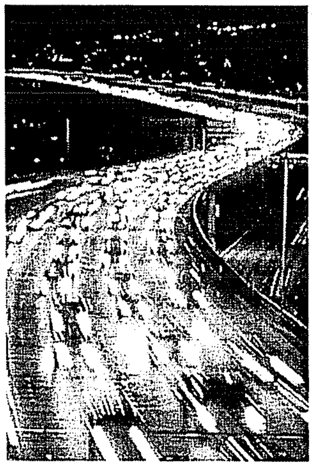


Risk & Innovation: Contract Focus



Example:
Highway 407, Ontario

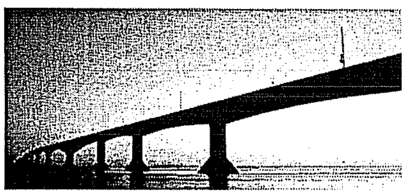
- **The business**
  - TPC of $1.6bn
  - Sold for $3.1bn
  - Appraised at $6.1bn
- **A success?**
  - 5 bids
  - $1.6bn 'profit'
  - User fee increases
    - 6.7¢/km to 11.5¢/km
  - Mostly liked



www.407etr.com

Example:
Confederation Bridge, PEI

- **The business**
  - Concession P3
  - Build, finance, operate & maintain
  - Guaranteed by federal government
- **A success?**
  - Traffic projection
  - Private sector profit
    - Not a full sharing of risk/rewards
  - Bridge is liked



www.confederationbridge.com

Main Criticisms

- **Government debt is cheaper?**
  - Gap is manageable with a contract approach
  - Offset by other efficiencies, risk benefits
- **Private = lower quality?**
  - Scope is key ⇨ requires tight definition
  - Ministers bear ultimate brunt of problems
- **Not many successes?**
  - Many existing services are already P3'ed
    - Health examples: GPs, dentists, long term care
  - Failures due to Operating Lease
- **Job losses?**

What's in it for BCEA Members?

- **More business?**
  - Advice to Ministry
  - Advice to proponent teams
  - Same old acquisition business
- **Who's the client?**
  - Less from government
  - More from proponents
- **Marketing implications**
  - More networking
  - Quality partnerships