Public Private Partnerships in British Columbia

Austin Chamber of Commerce Intercity Visit
October 6, 2008
Amanda Farrell and Neil Alexander
Partnerships British Columbia

- Partnerships BC was created in 2002 by the Provincial Government
- It evaluates, structures and implements partnership solutions which serve the public interest
- Owned by the Provincial Government
- Operates as a company with a board of directors
- Reports to the Minister of Finance
Key Sectors for Development

- Highway improvements
- Long term care, acute care, primary care
- Advanced Education/Education
- Sewage Treatment
- Energy
## Projects: Operational / Under Construction

<table>
<thead>
<tr>
<th>Project</th>
<th>VFM Savings</th>
<th>On Budget</th>
<th>On Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sierra Yoyo Desan Resource Road*</td>
<td>N/A</td>
<td>✓</td>
<td>Early completion</td>
</tr>
<tr>
<td>Gordon &amp; Leslie Diamond Health Care Centre*</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Abbotsford Regional Hospital and Cancer Centre*</td>
<td>✓</td>
<td>✓</td>
<td>Completed</td>
</tr>
<tr>
<td>Britannia Mine Water Treatment Plant*</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sea-to-Sky Highway Improvement Project</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>William R. Bennett Bridge*</td>
<td>✓</td>
<td>✓</td>
<td>108 days early completion</td>
</tr>
<tr>
<td>Canada Line (Sky-train)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Kicking Horse Canyon (Phase 2)*</td>
<td>✓</td>
<td>✓</td>
<td>Early completion</td>
</tr>
<tr>
<td>Golden Ears Bridge</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Charles Jago Northern Sport Centre*</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>VIHA – Long Term Care</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

*Operational projects
Success to Date

- Internationally recognized Centre of Expertise
- Developed policies, best practices, guidance, templates and examples for PPP projects
- Completed 25 PPP deals in 5 years
- Over $9 billion in projects to date, with about $5 billion from the private sector
- Advised numerous other jurisdictions on PPP programs and projects
Pan-Canadian / International PPP Activities

- Increase appeal of Canadian market:
  - Create a more homogeneous Canadian market
  - Reduce costs and duration of procurement
- Memorandums of Understanding
  - Alberta, Ontario, Quebec, Public Works and Government Services Canada, Nova Scotia, Prince Edward Island
- Information Sharing
  - Canada, New Brunswick, Saskatchewan
  - California, Michigan, Arizona, Oregon, Washington, Georgia
  - World Bank, UN
PPP Defined

- Long term, performance-based contract between government and business to deliver infrastructure and related services
  - Combines design, build, operate and often finance into one contract
  - Government retains ownership and control over project
  - Risk transfer and Innovation
  - Lifecycle planning
- Objectives
  - Meet budgetary, fiscal and program objectives
  - Fair and transparent competitive process
  - Delivers value for money
  - Public interest served
Procurement Spectrum

Partnership Structures:

- Construction
- Management and DBB
- DB
- BF
- DBFM
- DBFO
- DBFOO

Risk Transfer
## Reasons to Consider a PPP

<table>
<thead>
<tr>
<th>Traditional</th>
<th>PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple contracts</td>
<td>Single contract</td>
</tr>
<tr>
<td>Government retains key schedule and budget risks</td>
<td>Key schedule and budget risks transferred to private sector</td>
</tr>
<tr>
<td>Owner exposed to deficiencies</td>
<td>Proponent not paid until project delivered as specified</td>
</tr>
<tr>
<td>One design solution</td>
<td>Multiple design solutions</td>
</tr>
<tr>
<td>Lumpy cash flow profile</td>
<td>Smooth payment based on performance</td>
</tr>
<tr>
<td>Linear phases: design, bid, build</td>
<td>Overlap phases: design, build</td>
</tr>
</tbody>
</table>

*Image Source: British Columbia*
PPPs - Benefits

- Long term, performance-based contract between government and business to deliver goods or services
  - Combines design, build, operate and often finance into one contract
  - Government retains ownership and control over project
  - Meets budgetary and fiscal objectives
  - Lifecycle planning
  - Fair and transparent competitive process
  - Transfers appropriate risks
  - Delivers value for money
  - Public interest served
B.C. PPP Policy Framework

- Provincial commitment to PPP
- B.C. PPP program is a success
  - Track record - on time, on budget
- New capital standard
  - October 2006 - capital standard policy
  - PPP is base case for major capital projects
  - Improve / expedite business case planning
  - Lever best practices
  - Demonstrate consistency to market
Partnerships BC Role and Model

- Centre Of Expertise/Best Practices
- Market Development
- Transparency
- Fairness
- Communications

- Competition
- Innovation
- Risk Transfer
- Value for Money
Delivery Mechanisms

Business Planning
- Feasibility Analysis
- Options Analysis
- Business Case
  - Quantitative analysis (PSC vs alternative)
  - Risk analysis
  - Multiple Criteria Analysis (MCA)
  - Procurement options
  - Market Sounding

Procurement Process
- Standard RFQ & RFP
- Consolidated Concession Agreement
- Request for Information and Consultation process
- Evaluation

Implementation
- Value for Money Report
- Post Financial Close Services including Project Management

Best Practices
- Consultant engagement
- Quantitative Analysis
- Stakeholder management

- Strategic communications
- Value for money
- Conflict of interest
New Partnerships BC Best Practices

- Based on Summer 2008 projects (three health and one transportation)
- Objective is to improve project outcomes through planning, competition and governance
- Cornerstones:
  - Affordability Line and pass/fail evaluation
  - Thorough costing
  - Clear evaluation criteria
  - Appropriate project governance
B.C. - Projects In Operations

Gordon & Leslie Diamond Health Care Centre

Kicking Horse Canyon (Phase 2)

Sierra Yoyo Resource Road

Charles Jago Northern Sport Centre

William R. Bennett Bridge

Abbotsford Regional Hospital and Cancer Centre
Golden Ears Bridge

Canada Line

Sea-to-Sky Highway Improvement Project

Royal Jubilee Patient Care Project
Other Projects Under Construction

- Interior Health – Kelowna/Vernon Hospitals
- Fraser Health – Surrey Outpatient Facility at Surrey Memorial Hospital
Transportation Projects in the Market

Port Mann / Highway 1

South Fraser Perimeter Road
Health Projects in the Market

- Northern Health – Fort St. John Hospital Project - RFQ stage
- Northern Health – B.C. Cancer Agency’s Centre for the North in Prince George - RFP stage
PPP Success

“(PPPs are) a fantastic example of how the availability of private capital can help governments achieve their infrastructure goals faster and at a lower cost.”

California Governor Arnold Schwarzenegger, May 2007

“Greater use should be made of PPPs worldwide in order to help bridge a growing gap between infrastructure needs and available public investment.”

OECD May 2007

www.partnershipsbc.ca
Case Study:

Golden Ears Bridge
Golden Ears

- New bridge crossing and road network linking the municipalities of Langley and Maple Ridge
- Capital cost $1.1 Billion
- Procurement analysis started in 2004
- Project documents signed March 2006
- Bridge expected to open in June 2009
- ON TIME AND ON BUDGET
Golden Ears

Map of the Golden Ears Bridge Project
Objectives

- Tolling framework – acceptable and stable toll rates to users
- Ability (flexibility) to implement public policy to address changes in circumstances in future

Outcome

- No material change in tolling proposal as result of financing.
- Authority to set toll is 100% TransLink responsibility.
- No minimum TransLink credit rating, no TransLink financial covenants, no Provincial support.
Objectives

- No windfall profits
- Acceptance of business model and process by Developers, Contractors and Financiers resulting in effective execution.

Outcome

- TransLink retains 100% upside (and downside) of the revenue risk.
- Competitive procurement process. Credit margins favourable with other transactions.
<table>
<thead>
<tr>
<th>Objectives</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>❑ Minimal financial exposure</td>
<td>❑ TransLink retains tolling risk</td>
</tr>
<tr>
<td>to TransLink during</td>
<td>❑ OMR risks are transferred to Concessionaire</td>
</tr>
<tr>
<td>operations. No subsidy</td>
<td></td>
</tr>
<tr>
<td>❑ Potential for innovation</td>
<td>❑ Financing innovation: “credit wrap” Rating AAA</td>
</tr>
<tr>
<td></td>
<td>❑ Design innovation: cable stay bridge; construction</td>
</tr>
<tr>
<td></td>
<td>practices</td>
</tr>
</tbody>
</table>
Objectives

- Provide north-south connectivity to east-west routes, reducing travel times and traffic congestion
- Promote residential and industrial development
- Link existing pedestrian and cycling networks

Outcome

- Travel times are estimated to be reduced by 30 minutes
- Supports regional “Gateway” transit objectives
- Bike and pedestrian access provided
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<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public accountability and public safety paramount</td>
<td>Proposal conforms to RFP technical requirements</td>
</tr>
<tr>
<td></td>
<td>Independent Certifier to certify completion</td>
</tr>
<tr>
<td></td>
<td>TransLink oversight during construction</td>
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<tr>
<td></td>
<td>Full disclosure to the public of DBFO Agreements</td>
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</tbody>
</table>
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