Public-Private Partnerships in Canada

Presented by:
Mark Bain
Partner, Head of P3 Practice
Torys LLP

and
Director, The Canadian Council for Public-Private Partnerships

to:
National Public Private Partnerships Summit
Advancing the Model for Increased Infrastructure Development

June 17, 2010
Contents

• Canada – Quick Facts
• Three Waves of PPP Activity in Canada
• Infrastructure Need
• Public Support for PPP
• Government Ramp-up
• Sectoral Overview
• Challenges and Solutions
• The future
## Canada and Australia - similar context

<table>
<thead>
<tr>
<th></th>
<th><strong>Canada</strong></th>
<th><strong>Australia</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land</strong></td>
<td>10 million sq km (#2)</td>
<td>7.7 million sq km (#6)</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>1 million sq km</td>
<td>58,000 sq km</td>
</tr>
<tr>
<td><strong>Coastline</strong></td>
<td>200,000 km</td>
<td>26,000 km</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>33 million (#36), 90% within 160 km of US border</td>
<td>21 million (#54)</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>federation, parliamentary democracy constitutional monarchy</td>
<td>federal parliamentary democracy commonwealth realm</td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td>10 provinces, 3 territories</td>
<td>6 states, 2 territories</td>
</tr>
<tr>
<td><strong>Legal System</strong></td>
<td>Mostly English common law</td>
<td>English common law</td>
</tr>
<tr>
<td></td>
<td>Quebec is French civil law</td>
<td></td>
</tr>
<tr>
<td><strong>GDP</strong></td>
<td>$1.3T, $38,000 per capita (#27)</td>
<td>$820B, $38,800 per capita (#23)</td>
</tr>
</tbody>
</table>
First Wave: 1980s & 1990s - exploratory projects

1988
- Terminal 3, Pearson Airport

1991
- Teranet

1992
- Algonquin-Peel Energy from Waste Facility
- Vancouver International Airport

1993
- Confederation Bridge

1995
- Charleswood Bridge

1996
- Highway 104
- Govt. of Nunavut Bldgs.
- NAV CANADA

1997
- Waterloo Landfill Gas Power Project
- Powerade Centre
- Centracare Psychiatric Facility
- Nova Scotia Schools

1998
- Prospera Place
- Fredericton-Moncton Highway
- Moncton Water Treatment Plant
- Leo Hayes High School
- University Health Network

1999
- 407 ETR
- Central NS Correctional Facility & Forensic Hospital
- Enwave
First Wave

- Characterized by individual projects (i.e. no coordinated program)

- Some significant pioneering projects:
  - Confederation Bridge (12.9 kms)
  - Nova Scotia Schools (39)
  - 407 ETR Toll Highway (108 kms)
Second Wave: 2000 to 2005 – developing programs (Selected Projects)

2000
- Port Hardy Water & Wastewater Treatment System
- Canmore Water & Wastewater System
- Devonshire Care Centre
- Goderich Water & Wastewater System

2001
- Calgary Transit Ride the Wind Project
- Five Corners Project
- Bruce Nuclear Power Plant
- John Labatt Centre

2002
- Cook Chill Food Production Centre
- SHOAL Centre
- Connecting Small Schools
- Viva
- Britannia Landfill Gas to Electricity Project
Second Wave: 2000 to 2005 - developing programs (Selected Projects)

2003
- Vancouver Landfill Gas Cogeneration Project
- DriveTest: Ontario Driver Examination Services

2004
- Bell Sensplex
- Sooke Wastewater
- Ottawa Paramedic Service Station
- Sierra Yoyo Desan Road
- Gordon & Leslie Diamond Health Care Centre
- Brampton Civic Hospital
- Abbotsford Reg. Hospital
- Royal Ottawa Mental Health Centre

2005
- Edmonton Southeast Leg Ring Road
- Britannia Mine Water Treatment
- Trans-Canada Highway (NB)
- Okotoks Water & Wastewater
- Sea-to-Sky Highway
- William R. Bennett Bridge
- Canada Line
- Kicking Horse Canyon – Phase 2
Second Wave

- Activity started to ramp up
- Provincial programs and P3/AFP agencies emerged
- Dominant models emerge (Build-Finance & DBFO/DBFM)
- Dominant sectors emerge (hospitals and roads)
Second Wave - Success Factors

- Developing pilot projects
- Developing a financing model
- Identifying Champions
- Building Expertise
- Proving VFM
- Risk identification and allocation
- Engaging the market
- Legislative Reform
Third Wave: 2006 to 2010 – mature market
(Selected Projects)

2006
- Golden Ears Bridge
- Brockton Water & Wastewater
- BC Long Term Care

2007
- Orléans Arts & Town Centre
- North Bay Regional Health Centre
- Durham Consolidated Courthouse
- Autoroute 25
- Calgary Northeast Ring Road
- Sudbury Regional Hospital
- Youth Justice Facility

2008
- Alberta Schools I
- NW Henday Road
- Kelowna Vernon Hospital
- Royal Jubilee Hospital
- Surrey Outpatient Hospital
- Guelph Data Centre
- Autoroute 30
- Quebec Service Areas
Third Wave: 2006 to 2010 – mature market
(Selected Projects)

2009
- Ft. St. John Hospital
- Moncton Courts
- Bridgepoint Health
- CAMH
- Niagara Health System
- Toronto S. Detention Centre
- Montreal Concert Hall

2010
- Waterloo Courts
- Communications Security Establishment
- RCMP E-Division
- Alberta Schools II
- SE Stoney Trail
- S. Fraser Perimeter Road
- Disraeli Bridge
- Winnipeg Wastewater
- Forensic Sciences
- Halton Health

2010
- OPP Modernization
- Quinte Courts
- SW Detention Centre
- Windsor Essex Parkway
- Women’s College Hospital
- McGill Hospital
- Ontario Highway Service Centre
Infrastructure Need - Canada’s Infrastructure Backlog

- Current municipal backlog at $123 billion*
- $115 billion in new municipal infrastructure needed*
- Total national public infrastructure deficit estimated to be $400 billion by 2020**

*Municipal Infrastructure Backlog ($CAD Billions)*


Sectors Requiring Investment

Currently Active

• Transportation (roads, bridges)
• Hospitals
• Schools
• Long term care facilities
• Recreation
• Courthouses

Emerging

• Transit (urban & inter-city)
• Water & wastewater (including distribution & collection)
Public Support for PPP in Canada

In 2007, non-clinical hospital services, roads and recreation facilities were the most-favoured sectors for PPP

<table>
<thead>
<tr>
<th>Year</th>
<th>Hospitals</th>
<th>Hospital Services</th>
<th>Roads</th>
<th>Water</th>
<th>Sewage</th>
<th>Recreation</th>
<th>Transit</th>
<th>Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>62</td>
<td>73</td>
<td>72</td>
<td>54</td>
<td>60</td>
<td>73</td>
<td>65</td>
<td>55</td>
</tr>
<tr>
<td>2005</td>
<td>63</td>
<td>73</td>
<td>71</td>
<td>53</td>
<td>58</td>
<td>73</td>
<td>67</td>
<td>56</td>
</tr>
<tr>
<td>2006</td>
<td>63</td>
<td>72</td>
<td>72</td>
<td>55</td>
<td>60</td>
<td>72</td>
<td>67</td>
<td>58</td>
</tr>
<tr>
<td>2007</td>
<td>63</td>
<td>74</td>
<td>73</td>
<td>55</td>
<td>60</td>
<td>71</td>
<td>66</td>
<td>57</td>
</tr>
</tbody>
</table>
Public Support for PPP in Canada

• Canadians see need for private sector involvement in infrastructure renewal

• 88% agree that governments are having trouble keeping up with required investments*

• 63% agree that it is time to engage the private sector more fully*

• Support varies across industry sectors

Models of PPP in Canada

Degree of Private Sector Involvement

- Design - Build
- Operation & Maintenance
- Build - Finance
- Lease - Develop - Operate
- Design - Build - Operate
- Design - Build - Finance - Maintain
- Design - Build - Finance - Operate
- Design - Build - Finance - Operate - Maintain
- Build - Own - Operate
- Concession
- Privatization
PPP in Canada: Government Ramp-Up

• Provincial Governments
  – British Columbia
    • Partnerships BC (arms’ length, province-owned company)
    • 12 projects operational; 6 under construction; 4 in procurement
  – Alberta
    • Dedicated PPP (Alternative Capital Financing) office within Treasury Board
    • 2 projects operational; 4 under construction; 2 roads & 2 bundles of schools
PPP in Canada: Government Ramp-Up

- Provincial Governments (continued)
  - Ontario
    - Infrastructure Ontario (government agency)
    - 11 projects completed, 20 under construction, 22 in procurement
  - Quebec
    - Infrastructure Québec (government agency)
    - 5 projects under construction; 3 projects in procurement; 1 planned
PPP in Canada: Government Ramp-Up

- Federal Government:
  - $1.26 B National Fund for Public-Private Partnerships (up to 25% of the cost of project) - first funded projects announced in 2010
  - $8.8 B Building Canada Fund (recipients must consider PPPs)
  - $2.1 B National Fund for Gateways and Border Crossings (recipients must consider PPPs)
  - PPP Canada Inc. (Crown Corporation) – identify federal PPPs, assess PPP projects seeking federal infrastructure funding
Government Ramp-Up: The Rationale

• Canadian governments increasingly support PPPs because:
  - Address the infrastructure backlog
  - Are on-time and on-budget versus traditional delivery (e.g. Abbotsford Hospital vs Vancouver Convention Center)
  - Transfer significant risks to private sector
  - Lifecycle maintenance built into project cost
Government Ramp-Up: The Rationale

• It’s not just about finance
  – Focus on long term performance
  – Maximizing value / opportunity of asset
  – Encourage and reward innovation
  – Efficient risk transfer

• Paradigm shift in procurement

• Focus on core activities
Sectoral Overview

- Hospitals
  - 8 hospitals operational; 26 under construction; 11 in procurement; 10 planned

- Water & Wastewater
  - 19+ projects operational; 1 in procurement; 1 major project released business case (Victoria); several planned; very large accumulated infrastructure need
Royal Ottawa Mental Health Centre
Abbotsford Hospital, Regional Cancer Centre & Niagara Health System
Britannia Mine Water Treatment Facility
Sectoral Overview

• justice & Corrections
  – 5 projects operational; 4 under construction; 7 in procurement; several planned

• Recreation & Culture
  – 12+ projects operational; 1 under construction; several planned
Chilliwack, BC Law Courts
Prospera Place, Kelowna, BC
Sectoral Overview

• Airports & Civil Navigation
  - Several major airports under long-term lease; privatized civil air navigation (NAV CANADA)

• Public-Transit
  - Several small projects operational (e.g. bussing); 1 major project complete (Canada Line – $2 B); 5 major Metrolinx projects (Toronto area transit) and Ottawa LRT approaching market stage
Canada Line, Vancouver, BC
Sectoral Overview

• Roads & Bridges
  - 7 roads operational; 8 under construction; 4 in procurement
  - 2 bridges operational; 2 under construction

• Ports
  - Port Authority model ripe for PPP
  - $1 B capital investment over next 5 years
  - Success stories from other countries show PPP potential
Kicking Horse Canyon Phase 2, BC
Fredericton-Moncton Highway, New Brunswick
Confederation Bridge, New Brunswick - PEI
Sectoral Overview

• Schools
  – 39 operational in Nova Scotia; 2 operational in New Brunswick; 1 bundle of 18 and 1 bundle of 10 under construction (Alberta); 1 other jurisdictions considering sector

• Other Sectors
  – **Energy** – Bruce Nuclear Power Facility; several district energy & small generation projects, federal government energy services program
  – **Government Services** – Ontario Driver Examination
  – **Property Management** – Government of Nunavut Housing & Offices
  – **Data Centre** - Guelph Data Centre
<table>
<thead>
<tr>
<th>Challenges</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union opposition</td>
<td>Recognition of collective agreements</td>
</tr>
<tr>
<td>Political opposition</td>
<td>Limited scope of soft FM services</td>
</tr>
<tr>
<td>Procurement timelines</td>
<td>Major parties now in support</td>
</tr>
<tr>
<td>Balkanized markets</td>
<td>Experienced procurement agencies</td>
</tr>
<tr>
<td></td>
<td>Truncated timelines (&lt;12 mos RFP - FC), no BAFO stage</td>
</tr>
<tr>
<td></td>
<td>Standardization within markets</td>
</tr>
<tr>
<td></td>
<td>Co-ordination across markets</td>
</tr>
</tbody>
</table>
## Challenges ... and solutions

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Global Financial Crisis</td>
<td>• Stable domestic debt and equity markets</td>
</tr>
<tr>
<td>• Market capacity</td>
<td>• Government co-financing</td>
</tr>
<tr>
<td>• Proving VFM</td>
<td>• Flexibility during GFC</td>
</tr>
<tr>
<td></td>
<td>• Reluctant on mini-perms</td>
</tr>
<tr>
<td></td>
<td>• Expanding global interest in Canada</td>
</tr>
<tr>
<td></td>
<td>• Published methodology</td>
</tr>
<tr>
<td></td>
<td>• Involvement of Auditors General</td>
</tr>
<tr>
<td></td>
<td>• Co-ordination across markets</td>
</tr>
</tbody>
</table>
The Future

• strong pipeline of availability - pay accommodation projects
• emerging jurisdictions (federal, provincial, municipal)
• new/re-emerging sectors (transport, transit, municipal, water/wastewater)
• 10 year infrastructure plans
• P3 Canada as new champion
• predictable and fast transaction process