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The Canadian P3 Model - Will It Work in the U.S.?

ULI Spring Conference

April 2014

Agenda

- The Case for Public Private Partnerships / Performance Guaranteed Facilities (“PGF”)
- What do we mean by PGF?
 - What are they?
 - How are they structured?
- Overview of the Canadian PPP market
 - Size
 - Centers of excellence

What is a Performance Guaranteed Facility?

It goes by many names PPP, P3 PFI, but all are essentially:

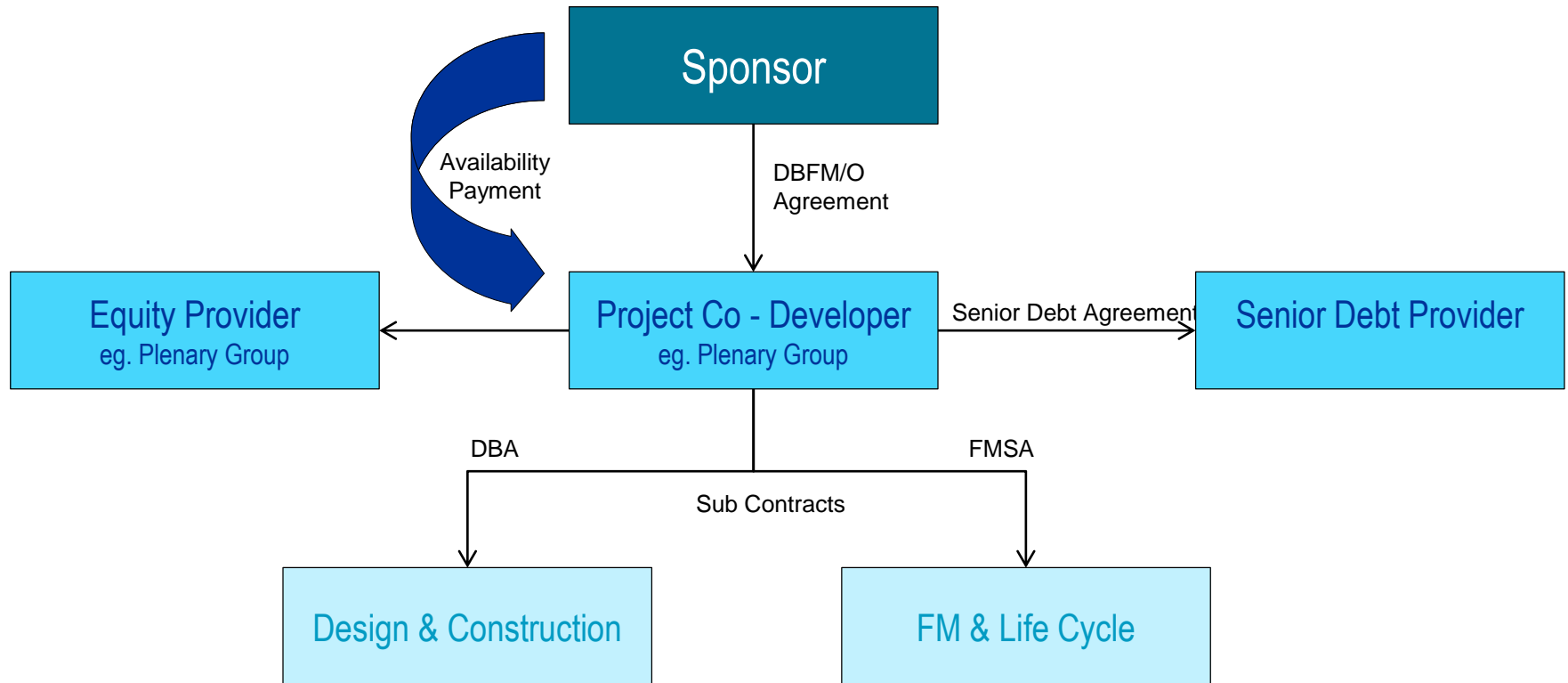
- A Long term partnership where;
- Single entity (“Project Company”) accepts responsibility to Design, Build, Finance, Maintain and in some cases Operate infrastructure (greenfield or renovations and expansions)
- Facilities management over a long term concession period (25 – 35 years) with pre-defined hand back conditions
- Single entity (“Project Company”) contracts with a Sponsor entity and in turn contracts with consortium partners
- Performance based contracting arrangements
 - Payment from Sponsor only begins upon completion of construction
 - On-going payments are subject to deduction for failures in service delivery
- Firm price for term of the concession
- Ownership remains with Sponsor



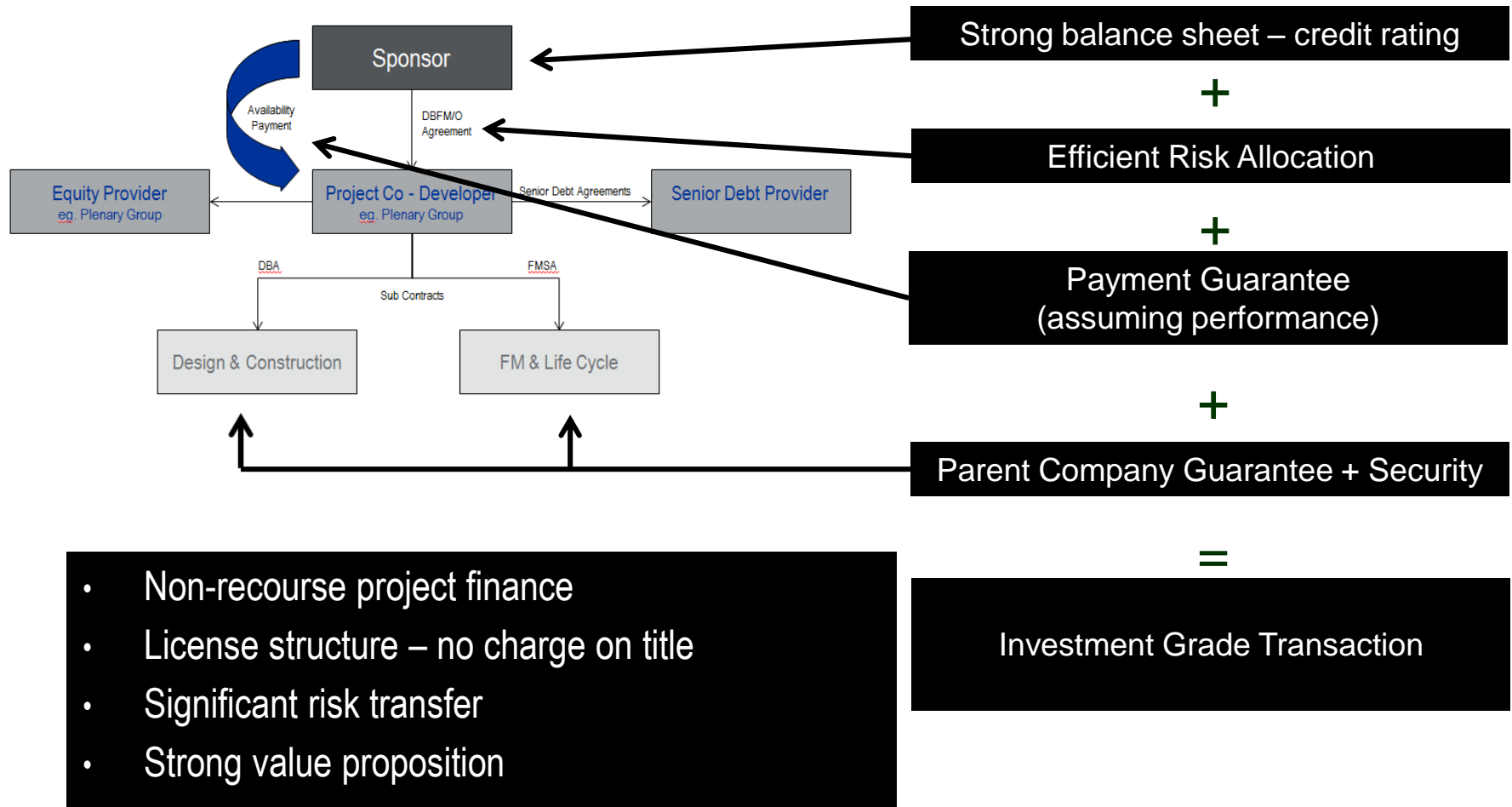
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Structuring a PGF / P3

Partnership Structure



Ideal Structure Attributes



Value Proposition – PGF / PPP

- Financial capital at risk to guarantee on-time / on-budget delivery and ongoing performance to Sponsor expectations
- Optimization and certainty of “whole of life” costs
- Ownership of the asset is retained by the Sponsor
- Facility condition guaranteed for the full 25-50 years of operations (including TI's)
- Emphasis on a clear and well-defined risk allocation
- A fully integrated solution that drives design development, construction, equipment and operations



Risk Comparison to “Canadian” PPP Model

Risk Element	Traditional	Lease	63-20 Corp	PGF
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Procurement

Program				
Design & Construction				
Finance			Tax Exempt	
Land/Building Ownership			At end of Term	

Operating Term

Rights Retention				
Operating costs above Plan*				
Cost of Operations				
Availability/Abatement				
Life Cycle Replacement				
Condition at end of Term				
Operating Performance				

*Plan set during procurement, prior to commitment to proceed

Sponsor	Shared	Private Partner
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Canadian Market Overview

Canada – Global Leader in PPP

- Strong deal pipeline for privately financed infrastructure projects
- Canadian P3s have evolved from transportation projects, mainly roads, to include the entire range of social infrastructure projects, particularly healthcare
- Strong political commitments – few opponents
- Market has matured with most major players from UK, Europe, Australia and more the recently the US bidding Canadian projects
 - It is not uncommon to see 6-8 quality teams forming for most projects

Canada's Market – Past 10 years

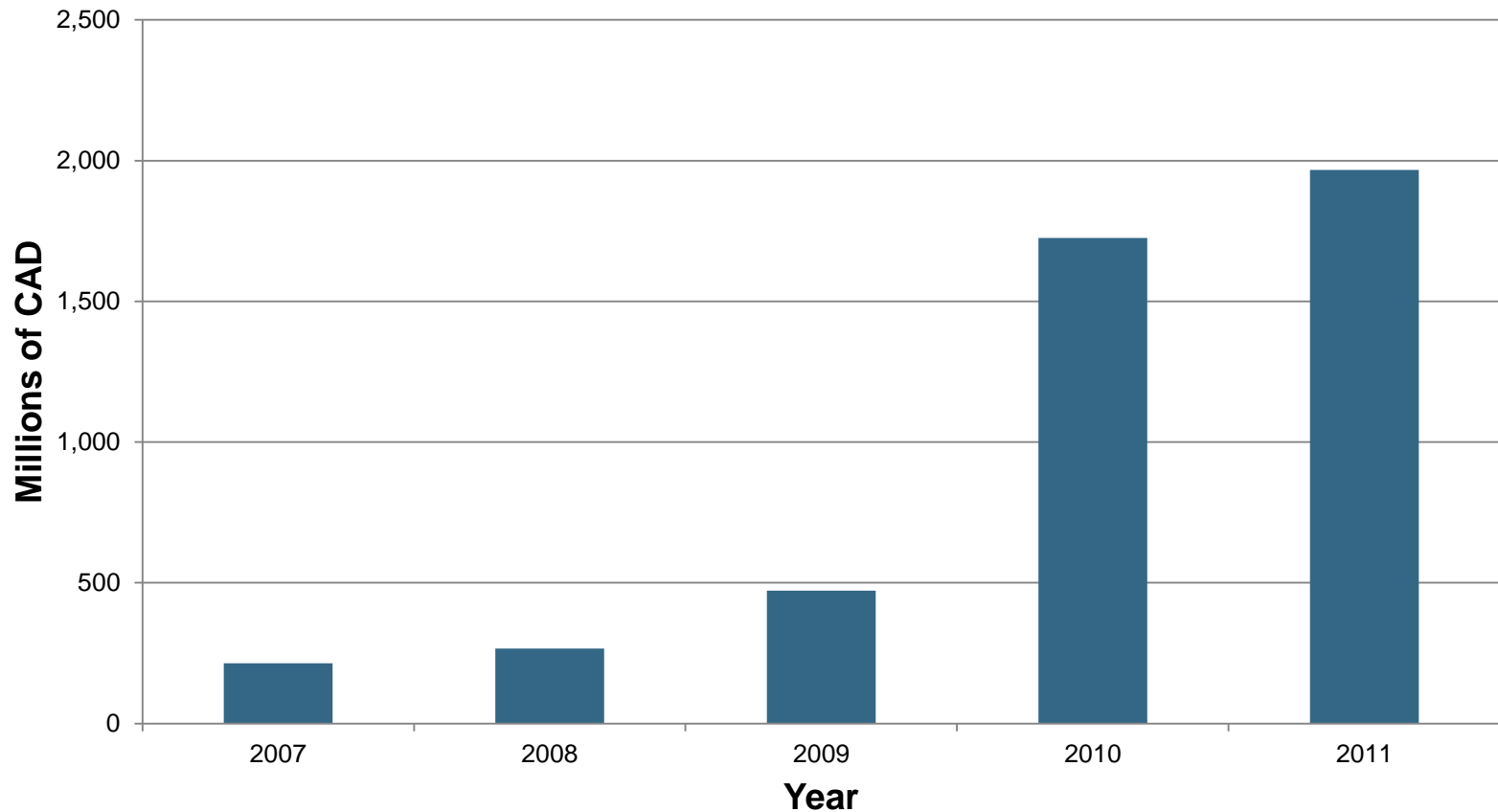
PPP Projects by Sector



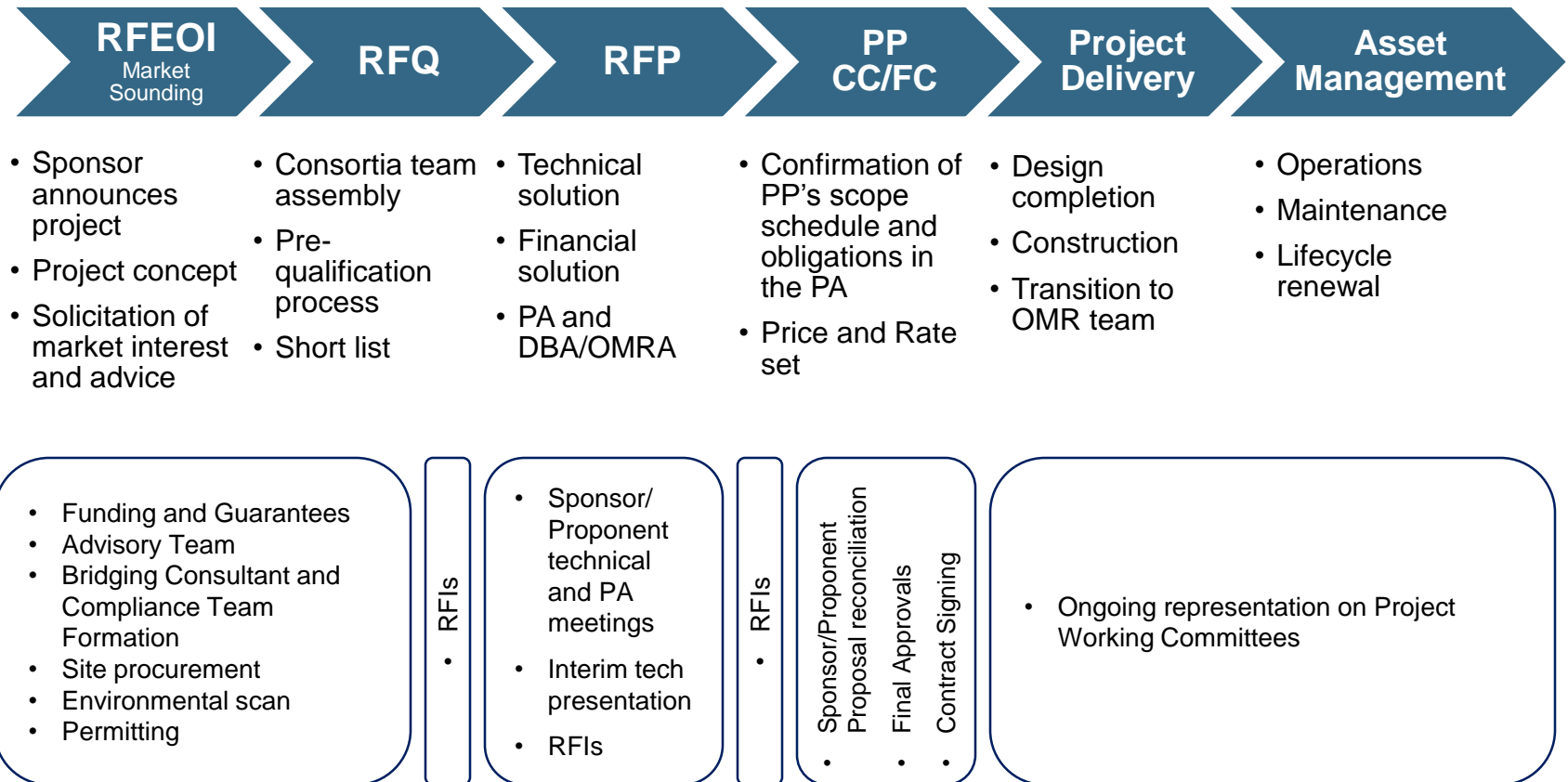
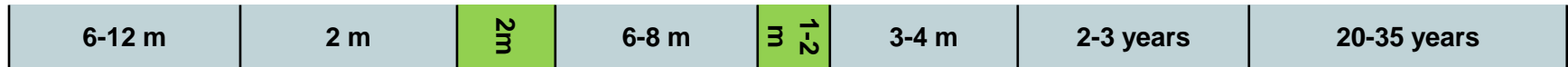
Sector	Number*	Value (\$B) **
Transportation	44	26.4
Hospitals & Healthcare	78	21.5
Justice/Corrections	19	5.4
Energy	5	4.3
Education	10	1.9
Recreation & Culture	17	1.4
Real Estate	3	0.9
Defence	1	0.9
Environmental	22	0.7
Government Services	5	0.2
IT Infrastructure	2	0.0
Total	206	63.6+

Deal Volume Accelerated After the GFC of 2008

Canadian PPP Capital Market Deal Volume



PPP Project Lifecycle - Canada



Canadian PPP Agencies

Jurisdiction	Active Procuring Agency	Total Projects
Alberta	Alberta Infrastructure	<ul style="list-style-type: none"> 17 projects (4 education, 1 energy, 4 environment, 1 healthcare, 1 justice and 6 transportation)
British Columbia	Partnerships BC	<ul style="list-style-type: none"> 36 projects (12 healthcare, 4 justice, 2 culture, 8 transportation, 7 environment, 1 in each of education, real estate and energy sectors)
Manitoba	City of Winnipeg	<ul style="list-style-type: none"> 5 projects (2 environment and 3 transportation)
New Brunswick	Partnerships New Brunswick	<ul style="list-style-type: none"> 10 projects (2 education, 2 healthcare, 3 transportation, 1 in each of environment, justice and culture sectors)
Ontario	Infrastructure Ontario	<ul style="list-style-type: none"> 105 projects (53 healthcare, 11 justice, 10 culture, 13 transportation, 1 defence, 1 real estate, 2 education, 3 energy, 4 Government and 7 environment)
Saskatchewan	SaskBuilds	<ul style="list-style-type: none"> 4 projects (1 in each of environment, healthcare, culture and transportation sectors)
Quebec	SQI	<ul style="list-style-type: none"> 20 projects (10 healthcare, 1 justice, 3 culture, and 6 transportation)

- Policy framework
- Project Procurement
- VFM Analysis
- Center of Expertise
- Project Management
- Stakeholder Management
- Tools / templates
- Knowledge bank



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Questions?

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