

PPP Canada

Summary Corporate Plan for the 2009-2014 planning period

Operating Budget for the 2009/10 Budget Year

Capital Budget Summary for the 2009/10 Budget Year

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Executive Summary

Public infrastructure is critical to the prosperity and well-being of Canadians. Governments at all levels will need to invest billions of dollars over the coming decade to meet the growing need to replace existing public infrastructure at the end of its life cycle and build infrastructure to meet new requirements. Well-planned and effective public-private partnerships (P3s) have demonstrated their ability to increase the value Canadians get from their investment in public infrastructure.

PPP Canada's mandate is to develop the Canadian market for public-private partnerships for the supply of public infrastructure in the public interest. To achieve this mandate, the government has authorized PPP Canada to deliver four principal functions:

- *P3 Canada Fund*: invest \$1.2 billion to catalyse the use of P3s by other levels of government - provincial, territorial, municipal and First Nations;
- *P3 Screen*: review large infrastructure projects over \$50 M from other levels of government seeking funding from federal programs (administered by Infrastructure Canada and Transport Canada) to encourage the use of P3s where appropriate;
- *Federal Projects*: Assess public-private partnership opportunities at the federal level in accordance with criteria established by the Treasury Board; and advise on the execution of public-private partnership projects at the federal level;
- *Centre of Expertise*: act as the federal centre of expertise on P3 matters.

Success will depend on PPP Canada's ability to target clients and markets with a clear value proposition, and to build capacity and leverage key partnerships.¹

PPP Canada was incorporated in 2008 and became administratively operational with the appointment of the first CEO and Chair in early 2009. In May and June of 2009, the government appointed 5 additional directors with significant expertise in the fields of engineering, finance, law and accounting.

The Corporation is in the initial stages of its development. This corporate plan sets out a business line framework, identifies early priorities, and seeks a number of specific authorities to enable further progress. Future corporate plans will elaborate in more detail the full strategies and performance targets for the Corporation.

Public-private partnerships are a service contract between the public and private sector where the Government pays the private sector to deliver infrastructure and related services over the long-term. P3s typically make the private sector parties, who build the infrastructure, financially responsible for its condition and performance throughout the asset's lifetime.

Public-private partnerships deliver value for taxpayers by transferring significant risks to the private sector (e.g., project integration, cost and schedule overruns and whole life-cycle management). This enables the public sector to focus on its core role of defining

¹ Note that this Corporate Plan was developed during PPP Canada's establishment. Consequently, both the text as well as the financial statements reflect both a report on its year to date activities as well as strategies for the coming years.

the public interest and expected results from its planned investment in public infrastructure. Payments to the private sector are based on the performance of the public infrastructure over the life of the asset (typically 25-35 years).

A number of provinces (British Columbia, Alberta, Ontario, and Quebec) have been active in the use of P3s. Internationally, the U.K., Australia and others have been employing P3s to meet their infrastructure challenges. There is significant opportunity to share and build on these experiences.

The P3 industry brings together firms with design, engineering, construction, operation and financial market expertise. P3 projects are generally a joint venture of a number of firms coming together to respond to public infrastructure investment opportunities. Canada has attracted the attention of the major international P3 private sector players. Ensuring Canada continues to be a business and investment destination of choice for P3s will be important for a competitive market and value to taxpayers. Canadian firms generally do not have the scale or experience to lead bids but are participants or sub-contractors.

The recent financial market crisis, while improving, has affected the environment for P3s in terms of liquidity and financial spreads. In the short-term, PPP Canada has worked with Export Development Canada (EDC) in light of its expanded domestic powers, to address both lending and surety issues. On-going assessment of the state of the industry will be an element of PPP Canada's work.

The launch of the P3 Canada Fund has been a dominant priority for the Corporation. We have worked to develop relationships with key stakeholders, including all provinces and territories, and with Indian and Northern Affairs. We have surveyed the market to identify early potential P3 projects. Based on this work, the Corporation issued its first call for projects in September which will close October 30, 2009. Project assessments will continue in the Fall and first project approvals are expected early in 2010. A second call for projects is planned for early 2010.

The P3 Screen was suspended by the government in late 2008 for two years to facilitate the rapid delivery of short-term, infrastructure stimulus funding to other levels of government. This stimulus funding was time-limited to two years and would not have targeted P3 projects which are long-term, major projects. The future of the P3 Screen will be addressed in future corporate plans.

Federal infrastructure projects should be a growing part of PPP Canada's business over time. The consistent feedback from both the private and public sector stakeholders is that this is an area of real need and potential value added for PPP Canada. Significant federal P3 projects have been approved and are being considered. The functions of the corporation include the responsibility to assess P3 opportunities at the federal level in accordance with criteria established by Treasury Board. Further work is required to establish these criteria and integrate them within federal capital and procurement policies and responsibilities. Based on international and provincial best practice, this is a critical enabling requirement.

Over the near term, PPP Canada's primary focus will remain on the P3 Canada Fund and, by extension, its work with provinces, territories, municipalities and First Nations which are the target of the Fund. As capacity permits, the Corporation will increase its

focus on federal projects, starting with significant P3 projects under development (e.g., the new CSE headquarters). The Corporation will also undertake to compare and benchmark the federal government approach and performance on P3s against other jurisdictions.

The Centre of Expertise connects and enables all of PPP Canada's work. Building expertise through recruitment, networks, outreach and the commissioning of knowledge development will grow over time. There is a need to educate key decision-makers on the fundamentals and value of P3s. There is also need to enable P3 practitioners with the knowledge and tools needed to identify structure and execute effective P3s.

As a recently created Crown corporation, PPP Canada must build the foundations of a high-performing organization. Effective governance is a linchpin and has been an early focus for the Corporation. Sound stewardship of public resources is another foundational focus. Recruiting the right skill mix for the Corporation will be essential. The early attention on the skills necessary to enable the start-up of the Corporation and the launch of the P3 Canada Fund will need to shift to an increasing focus on key P3 skills and experience and direct experience with and exposure to the private sector.

PPP Canada's success will be measured by its ability to ensure the full potential of P3s is brought to bear on Canada's public infrastructure challenge. This will mean more P3s, by more organizations, in more sectors, with more project structures. Most of all it will mean a greater knowledge and appreciation of why P3s can bring value and how to make them work in the best interest of Canadians.

1 Corporate Profile

1.1 Overview

As Canada's existing public infrastructure continues to age and the requirements for replacement and new infrastructure exceeds available public budgets, the partnership between government and business to meet public infrastructure development needs becomes increasingly necessary.

Public-private partnerships (P3s) for infrastructure can be a very effective option for governments. They fuse the public interest in serving citizens with safe and effective infrastructure with the private sector's capacity and willingness to invest and take on risk for a reasonable return.

Consequently, P3s are finding increasing favour with governments in Canada and abroad which are establishing public corporations, such as PPP Canada, to increase the public good that can be derived from the PPP model of collaboration.

PPP Canada was established in 2008 as a Crown Corporation with an independent Board of Directors reporting through the Minister of Finance to Parliament. The Corporation became operation in February 2009 with the appointments of a Board Chair and a CEO.

1.2 Mandate

PPP Canada's mandate is to develop the Canadian market for public-private partnerships for the supply of public infrastructure in the public interest.

1.3 Legal Structure and Corporate Objects

PPP Canada is a Parent Crown corporation for the purposes of Part X, (except section 90) of the *Financial Administration Act* and reports to Parliament through the Minister of Finance. The objects for the Corporation were established by Order-in-Council as follows:

- Assess public-private partnerships opportunities at the federal level in accordance with criteria established by the Treasury Board;
- Assess the suitability of public-private partnership projects seeking funding from federal infrastructure programs in accordance with criteria established by or pursuant to Treasury Board authorities;
- Advise on the execution of public-private partnership projects at the federal level;
- Manage the Public-Private Partnerships Funds (P3 Canada Fund) in accordance with the policies and authorities established by the Treasury Board;
- Negotiate, sign and administer agreements to be funded through the P3 Canada Fund in accordance with the policies and authorities established by the Treasury Board; and,
- Act as a source of expertise and advice on public-private partnership matters.

1.4 Corporate Governance

Minister of Finance

The Minister of Finance is the Minister responsible for PPP Canada. The Crown Corporation will report to Parliament through the Minister of Finance.

Authority for Project Approval

The Corporation will recommend projects to the Board of Directors and the Board will recommend Ministerial approval.

The Minister of Finance and the Minister of Transport, Infrastructure and Communities share responsibilities with respect to approval and amendments of certain projects funded by the P3 Canada Fund.

- *For amounts of less than \$25 million:*
 - Following the approval in principle by the Board of Directors of PPP Canada, such projects will then be submitted to the Minister of Finance for final approval.
 - Once final approval from the Minister of Finance is obtained, PPP Canada will finalize a funding agreement with the recipient(s) (and other parties if needed) and its CEO will sign it.
- *For amounts of \$25 million or more but less than \$100 million:*
 - Following the approval in principle by the Board of Directors of PPP Canada, such projects will then be submitted to both the Minister of Finance and the Minister of Transport, Infrastructure and Communities for final approval.
 - Once final approval from the two Ministers is obtained, PPP Canada will finalize a funding agreement with the recipient(s) (and other parties if needed) and its CEO will sign it.
- *For amounts of \$100 million or more:*
 - Following the approval in principle by the Board of Directors, such projects will then be submitted to the Minister of Finance and the Minister of Transport, Infrastructure and Communities for their approval in principle.
 - The Minister of Finance and the Minister of Transport, Infrastructure and Communities will seek the final approval by the Governor in Council (i.e., the Treasury Board). This could be done as part of the approval process for PPP Canada's annual corporate plan or through stand-alone Treasury Board submissions.
 - Following Governor in Council approval, PPP Canada will finalize a funding agreement with the recipient(s) (and other parties if needed) and its CEO will sign it.

Board of Directors

On January 19, 2008 the Governor-in-Council confirmed the appointment of the Chair of the Board, Mr. Greg Melchin and confirmed the appointed of the CEO Mr. John McBride effective February 16, 2009. In May 2009, four new board members were appointed and one additional appointment in June 2009. The Directors come with a remarkable depth and breadth of

knowledge and experience, whether from the public sector or as leaders in their respective industries.

The new Board of Directors will focus on the immediate priority of building the Corporation. The Board will oversee the operational direction proposed by management and provide strategic insight and guidance. Moreover, it will be the Board's duty to challenge itself and management to develop a best-in-class corporate governance system. This system will include the policies, procedures, internal controls, and risk management measures necessary to instill confidence in our stakeholders and will enable the Corporation to deliver the greatest value to the public and taxpayers.

In keeping with modern governance arrangements for Crown corporations, the Board of Directors has established Committees to support the Board and its work.

The *Audit Committee's* primary responsibilities are to oversee the Corporation's standards of integrity and behaviour; to oversee the Corporation's reporting of financial information; to oversee the Corporation's internal control systems, including the Corporation's compliance with all applicable legal and regulatory requirements; to review the qualifications, independence and performance of the Corporation's external auditor(s); and to oversee the Corporation's enterprise risk management plan.

The *Governance and Human Resources Committee* primary responsibilities are to recommend candidates for the Board, for the Chair of the Board and the CEO of the Corporation, as the need arises; analyze and make recommendations to the Board on candidates for Board appointed officers and the compensation of such officers; oversee the development and approval of human resources strategies and policies, as may be referred to it by the Board, the Board Chair or the CEO from time to time; and oversee and assess the implementation and assessment of effective corporate governance principles; implement practices and procedures to ensure that the Board operates effectively and in accordance with high standards of corporate governance

The *Investment Committee's* primary responsibility is to oversee the Corporation's public private partnerships market development strategies. In fulfilling this responsibility, the Committee shall undertake the following: review and approve any of the Corporation's proposed new business products and/or business lines to confirm that these initiatives are within the Corporation's mandate; periodically review and recommend to the Board any amendments to the Terms and Conditions of the P3 Canada Fund, and confirm that the decisions made to amend the Terms and Conditions are undertaken in an effective, professional and complete manner, with the attendant risks being identified and managed properly; work with the *Audit Committee* and other Board committees, as required, in addressing P3 Canada Fund allocation and investment issues as well as procurement and contracting concerns; review and determine whether potential public-private partnership projects should be moved to the full Board for review and recommendation; and receive presentations and reports from management on a periodic basis and determine significant issues requiring full Board review.

The Board approves the five-year Corporate Plan and the Annual Report, both of which are tabled in Parliament.

The Board has established quarterly meetings up until June 2011 and will have additional meetings as required to review the Corporation's overall operations, receive committee reports, and discuss the objectives.

1.5 Resource Profile

During fiscal year 2009/10, PPP Canada forecasts \$6.6 million of operating disbursements and will draw down and invest \$165.4 million under the P3 Canada Fund. The current staff complement of nineteen is expected to grow to thirty in 2010/11. The Corporation uses a wide variety of out-sourced and shared services arrangements to supplement its in-house staff. The Corporation will discuss an human resources and recruitment strategy in the forthcoming 2010/11 Corporate Plan, aligned with its Business lines.

2 Context and Planning Environment

2.1 Fundamentals of P3s

Public-private partnerships are a long-term, performance-based approach for procuring public infrastructure which involve a significant element of private sector risk and financing. The P3 procurement model is unique in that the private sector assumes a major share of the responsibility for the delivery and the performance of the infrastructure, from designing the concept, architecture, and structural planning, to its construction and long term maintenance.

Applied effectively, the P3 model can provide additional value to taxpayers by leveraging the right capabilities to complete the job on time and on budget, allowing for greater integration of project planning and design and eliminating major shortfalls around the building, construction and maintenance. By approaching the project from an integrated standpoint, a P3 builds in greater controls throughout the building phase and creates greater accountability to ensure the project is designed and completed to last throughout the contractual lifetime of the project.

For the public sector, the P3 model reduces and eliminates certain financial risks such as additional costs associated with construction and delays for securing long-term maintenance agreements for the structure. The private sector assumes these risks and develops a long term plan to develop and maintain the structure by receiving secured revenue throughout the project's lifetime. If applied correctly, the P3 approach reduces the public sector's financial burden and exposure to risk while creating, with the involvement of the private sector, needed infrastructure in an efficient and cost effective manner.

The full advantages of the P3 model are delivered when the benefits relating to better design, timely construction and improved operation and maintenance outweigh the higher borrowing costs of private sector financing the transaction costs of these arrangements. However, the benefits of a P3 approach do not always outweigh the costs which are why it is necessary for the public sector procurement institutions to undertake a Value for Money (VfM) assessment which compares the total costs of procuring the infrastructure and subsequent operation and maintenance services under the P3 approach and to a conventional approach.

There is no one single P3 model that is suitable for all P3 projects. For this reason, a significant amount of effort and resources must be invested by both public and private sectors in structuring a successful P3 approach.

P3 projects are by their nature very complex and require the establishment of a solid financial and legal basis. P3 projects are generally structured on a project by project basis through an organizational structure that brings together a number of stakeholders for an infrastructure investment, typically in the form of a "Special Purpose Vehicle" (SPV) created specifically for the project.

The main stakeholder participants include for example, the public sector procurer, the sponsors, the financiers, the subcontractors and legal, financial and technical advisors. In a P3 project, each retains its own identity and responsibilities. They are brought together in the SPV on the basis of a clearly defined division of tasks and risks. The SPV is simply a separate legal entity, often a company, established to undertake the activity defined in a contract between the SPV and its clients, in this case a public procurer. Execution of the activity generally requires the involvement of a number of stakeholders and the SPV enter into subcontracts with a number of organizations for the execution of these activities.

The typical role of the private sector proponent includes:

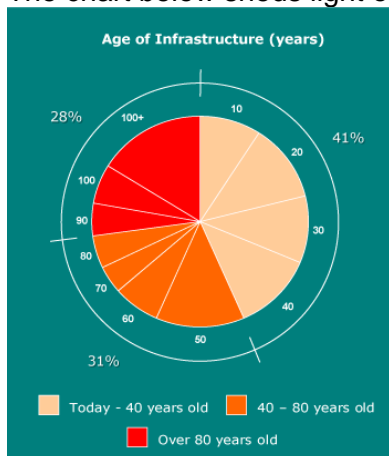
- Responsibility for all, or almost all, of the infrastructure design and construction;
- Operating and/or maintaining the asset over a long-term “concession period”; and,
- Borrowing to finance the construction and operation of the asset.

The traditional approach is for the contractors and the service providers to sponsor the Special Purpose Vehicle (SPV) and to take equity stakes in it as a sign of their commitment to the project and its delivery. Financiers are involved in the consortium, and they may take minority equity stakes in the SPV and, as long run investors with a strong financial interest, may assume a more prominent role in the project after the construction phase is over. Nevertheless, the initial organization and bidding process is directed by the engineering and construction companies in tandem with the facilities manager, third party investors and dept investors.

Normally financing is provided as “project financing” which means that loans are mostly granted based on the capacity of the project to generate benefits throughout the lifecycle of the contract and not on the capacity of reimbursement of the investors. Financing of P3 project is complicated by nature as it is a mix of equity and debt, consortium and a variety of instruments.

2.2 Overview of the markets for public infrastructure in Canada

In Canada, most of the investments in public infrastructure were made during the 1950’s, 60’s and early 70’s. The 1980’s and 90’s saw less intense investment in infrastructure. Recent research from various associations in Canada shows that there is a growing infrastructure investment deficit occurring in many sectors. Over the last 15 years, 80% of investments have been for new construction while renovation and restoration work accounted for 20%, even though Canada has already utilized nearly 80% of its infrastructure life expectancy. Canada’s actual infrastructure requirements are far in excess of the funding allocated for this purpose. The chart below sheds light on the age trends in key public infrastructures.



The recognition of this infrastructure deficit has led to a nearly unanimous acknowledgement that the private sector should play a greater role in the financing of infrastructure in partnerships with the public sector. Even though the current needs for public infrastructure are great and ever increasing, there has been limited use of P3s by the various levels of Canadian governments to address the current deficit.

During the past year, PPP Canada has begun to engage key stakeholders such as the provincial and territorial governments, government departments and industry leaders. Through discussions with these key players in the P3 market, PPP Canada is able to identify the state of the P3 market, the major challenges and the significant opportunities which it can present for PPP Canada. These consultations and subsequent analysis of the intelligence gathered reveals an estimated cumulative amount of over \$60 billion in infrastructure investments to be made in the coming year by the provincial, territorial and First Nation governments. This is a clear indication of the magnitude of the future investments required to address the infrastructure deficit.

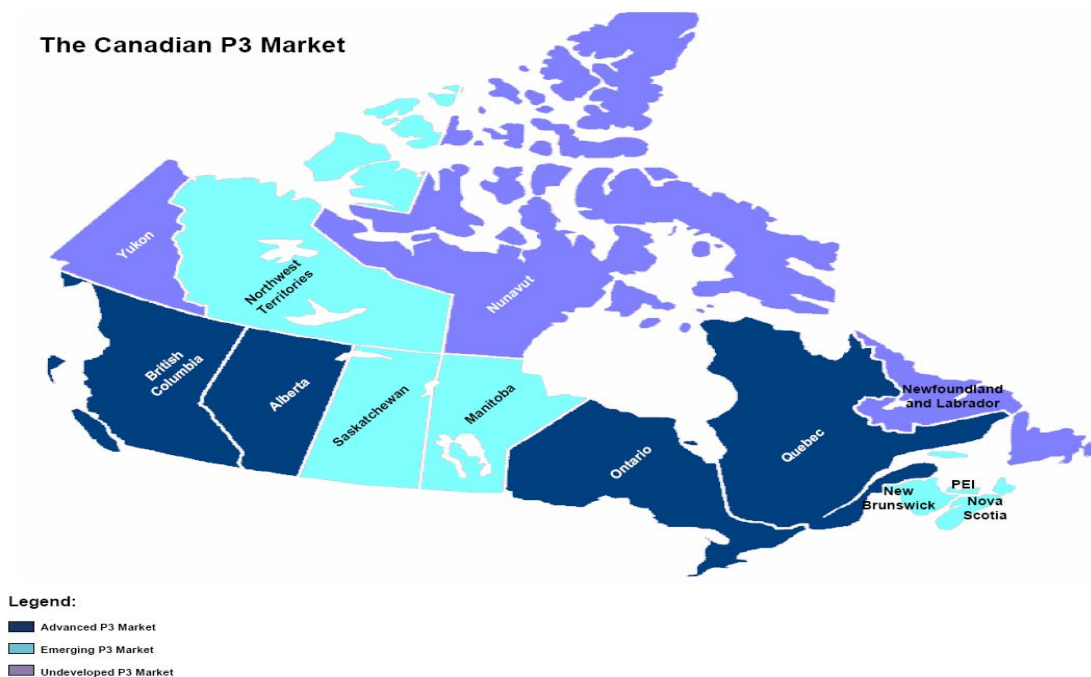
The consultation process confirmed the existence of a potential P3 market and the value of sustaining and nurturing a structured and strategic consultation process with all stakeholders. This consultative framework will enable the implementation of an integrated and pro-active approach to generate more viable P3 opportunities, and to implement effective long-term strategies to enable multi-jurisdictional infrastructure development in Canada.

The following sections will outline the current status of the P3 market in Canada, focusing both on regional circumstances and the P3 activities among various orders of government.

Provinces and territories - to date, Canada's P3 market has largely been driven by the provinces, territories and municipalities, who have recognized viable opportunities to implement public-private partnership solutions. British Columbia, Ontario and Quebec have created provincial Crown corporations to manage and promote P3s provincially, while Alberta has embedded a P3 function within its Treasury Board. Others such as Saskatchewan, Nova Scotia and New Brunswick have created special offices to advise on P3 projects, and even provinces with less formal institutional P3 structures have undertaken select public-private partnership projects.

PPP Canada has engaged all provinces and territories in discussions relating to the opportunities to apply P3 approaches to meeting public infrastructure needs. Each jurisdiction has its own unique circumstances that influence its ability to proceed successfully with P3 projects, which in turn influence the strategies PPP Canada needs to employ to succeed in its mandate to build the Canadian P3 market. In general, PPP Canada has categorized these jurisdictions as *advanced*, *emerging* and *undeveloped P3 markets*, as displayed in the map below.

The Canadian P3 Market



Advanced P3 markets - share several key characteristics. They are the larger provinces with attendant larger capital infrastructure budgets, and they have institutionalized their P3 procurement capacity – both in terms of analysis of P3 opportunities and in the execution of P3 projects. PPP Canada’s strategies for further developing P3 opportunities in these provinces will focus on diversifying into non-traditional P3 sectors, exploring more advanced P3 models, and developing capacities among municipalities. These markets include: British Columbia, Alberta, Ontario and Quebec.

Emerging P3 markets - typically have a P3 policy framework (established or under development) and a focal point for general P3 advice. However, there is seldom dedicated institutional capacity to support P3 procurements, and often less experience in executing P3 arrangements. PPP Canada strategies to further develop these emerging markets will focus on supporting P3 procurement capacities and overcoming obstacles inherent in small markets by: a) gaining experience in developing and concluding P3 arrangements; b) grouping potential opportunities to achieve economies of scale; and c) standardizing tools and approaches to make them more accessible and user-friendly. These markets include: Saskatchewan, Manitoba, New Brunswick, Nova Scotia, PEI, and the NWT.

Undeveloped P3 markets - identified on the map above are those that have only a limited understanding of the uses and benefits of a P3 approach, or have weak institutional and financial capacity that prevents the development of projects. PPP Canada’s strategy with these jurisdictions will be to build awareness and knowledge of P3 approaches, and to support appropriately scaled and modeled P3 projects. This will require the development of long-term relationships with the key institutions in these jurisdictions.

A more detailed description of the advanced and emerging markets, by individual province and territory, is contained in [Annex 1](#).

Municipalities - Canadian municipalities represent a significant potential market for P3s, with construction capital expenditures in 2008 estimated at \$15 billion. Major cities (e.g., Toronto, Montreal, Vancouver, Calgary, Edmonton and Ottawa) have experience in alternative forms of infrastructure procurement, including P3s, and some smaller cities (e.g., Moncton and Saint John) have had very successful experience in implementing P3 projects. To date, key projects have been in transportation (roads and bridges), public transit, water and wastewater treatment, and civic buildings (administration, courthouses, etc.)

Several challenges for municipalities in pursuing P3s have been identified by the Federation of Canadian Municipalities (FCM) and are important to keep in mind. The first challenge is the complexity and cost of P3 procurement and contract negotiations, and the fact that it is generally more expensive for private sector partners to borrow money for a project than it is for the public sector. For smaller communities, the cost of even putting together a proposal for a P3, much less pursuing one, can be prohibitive. A second concern is that if municipalities grow too reliant on P3s, over time they may lose their own capacity to manage public initiatives themselves, thereby limiting the range of project approaches available to local governments in the future. And finally, P3s are normally used to construct new projects, which do little to address the equally pressing problems municipalities face in funding repairs and maintenance of existing infrastructure.

In future years, PPP Canada will develop strategies aimed at meeting the needs of municipalities for increased capacity to assess the potential for P3 projects to meet their needs, and to successfully negotiate and conclude appropriate P3 arrangements. PPP Canada will also seek opportunities to “bundle” projects and municipalities to achieve economies of scale for some infrastructure projects (e.g., water and wastewater) to reduce costs, and to share institutional capacity. The P3 Canada Fund will also be available to provide financial support.

First Nations - the government is advancing a new framework for promoting economic and social development for First Nations (FN) based on partnerships between communities and the private sector. The Minister of Indian and Northern Affairs (INAC) has indicated that a part of this framework could be a change to how infrastructure is financed to facilitate P3s and other alternative financing arrangements. There is a severe deficit in infrastructure quality and availability in FN communities, creating an ever-growing demand that INAC capital investment budgets are insufficient to meet.

PPP Canada has been in discussions with INAC to identify, develop and support a select number of P3 projects under the P3 Canada Fund, in the same way as discussions have proceeded with provinces and territories. These pilot projects are intended to demonstrate the usefulness of the P3 approach for meeting FN infrastructure needs, while at the same time creating a better understanding of the key factors to enable success. Considerable front end work may be needed to develop projects as P3s. Where necessary, INAC would guarantee a stream of payments in place of providing up-front the capital costs of the infrastructure.

Developing P3s among FN communities presents some unique challenges and opportunities that stem from their circumstances including remote locations, comparatively small scale, FN and project governance, and limitations posed by the *Indian Act*. PPP Canada will continue to work with INAC to address these issues in the context of the P3 pilot projects under development. INAC has also been provided seed funding to help proponents carry out technical studies, construct business plans, carry out market soundings with potential partners, and develop options for First Nations decision-makers.

Federal - at the federal level, P3s have been used in a few notable instances to secure public infrastructure. For example, the Confederation Bridge connecting New Brunswick and Prince Edward Island, completed in 1996, was built by Strait Crossing Development which continues to manage and maintain the structure today. The complexity and cost of designing, building and operating the bridge, and a desire to shift project risk away from taxpayers while providing them with a best-value solution led the federal government to turn to a P3 solution.

While past P3 successes demonstrated the P3 model's ability to complement traditional government infrastructure procurement, no consistent federal policy or framework has yet been developed to further enhance the marketplace and identify new P3 opportunities. The identification of opportunities to apply a P3 approach to federal infrastructure projects, and the assessment of its inherent value for taxpayers in each instance, has been at best *ad hoc* and for the most part, non-existent.

Some departments and agencies have seen the benefits that a P3 would provide in meeting their infrastructure requirements, but they faced significant challenges in developing and realizing their projects. Among these challenges are:

- Absence of a policy framework for considering P3 projects leads to inconsistent and uncertain evaluation of the costs and benefits of the proposal, delays in project decision-making that increases overall costs, and does not incent departments to assess whether P3 approaches would provide better value for the users of the infrastructure and the general taxpayer;
- Expertise to negotiate, execute and support P3 arrangements requires strengthening within the federal government;
- Current procurement and budgeting policies of the government (e.g., annual appropriations, separate capital and operating votes, cash rather than accrual accounting, etc.) are sometimes inconsistent with the longer-term financial arrangements implied in using P3s; and,
- PPP Canada will adopt a flexible strategy for building a robust federal P3 market, based on direct involvement with P3 projects advanced by federal departments, and work with key central agencies to advance a policy framework encouraging to P3s.

2.3 The Private Sector Perspective

PPP Canada has and will continue to consult directly with key private sector participants to share knowledge and identify potential issues and opportunities. There are a range of perspectives and issues reflecting the diversity of players (international and domestic) and their roles within the industry (financing, lead bidders, sub-contractors, advisers etc.).

Partnering with the private sector carries the potential for meaningful benefits to be gained for the public partner. Potential benefits can include eliminating large up-front investments of scarce public funds, greater efficiency (e.g., due to private partners' operational efficiency), or better management. Partnering can also be particularly valuable as a method of leveraging technical or management expertise (e.g., performance-based monitoring), and spurring technology transfer, all of which can lead to quality improvements. Partnering can also reduce or better allocate risks (e.g., the private partner may be better able to manage cost and schedule overruns). Appropriate convergence of interests and expertise in a PPP in practice may also lead to a better managed project execution. Finally, in a PPP, the public partner can

take steps to ensure that the above-mentioned benefits are obtained, the risk is minimized, and that public funds are used in accordance with the partnership's stated objectives through introduction of payment and reward mechanisms that set incentives for better performance and improved outputs.

Financial Crisis

The impact of the financial crisis has been a dominant issue. It has reduced the number of players financing P3 projects – both equity and debt. This has been particularly pronounced with respect to debt, especially long-term debt. A number of European financial institutions that have been active in the Canadian P3 market have exited and others have reduced the lending caps to individual projects. This has created difficult challenges for closing projects, especially projects that were caught in mid-procurement during the financial crisis.

PPP Canada consulted closely with provincial counterparts, Export Development Canada (EDC), Finance Canada and the private sector to understand the dimension of the issue and explore possible responses. At the federal level, the January 2009 Budget established the Extraordinary Financing Framework (EFF) and broadened EDC's authorities for two years to include domestic projects. This enables both surety and financing support to P3 transactions. At the same time, provinces have pursued alternative financing models including British Columbia's "wide-equity" approach, involving increased equity requirements but with the province providing the debt for projects.

Financial market conditions have improved recently in terms of both liquidity and spreads but they have not and likely will not return to the credit conditions that existed pre-financial crisis. PPP Canada will continue to monitor and assess needs.

Bid Process and Cost

The cost, complexity and uncertainty of bid processes have been raised by many private sector players. Bid costs for P3 transactions can be significant. There are opportunities to simplify and standardize processes and documentation to reduce cost. This is true across all jurisdictions in Canada and could be an area of future focus for PPP Canada.

The private sector has particularly flagged issues at the federal level, noting that federal policies and practices do not facilitate P3s and the interplay between Public Works and Government Services, line departments, and central agencies has resulted in delay cost and confusion. The private sector has highlighted the need for PPP Canada to play an enabling role with respect to federal projects.

Canadian P3 Firms

Most leading P3 firms are foreign (UK, Australia, Spain etc.). This reflects the longer history in other countries with P3s. It also reflects the structure of the Canadian private-sector – generally, small to mid-size engineering, construction management firms. There are some in industry who are not supportive of P3s because they contend that contracts tend to go to non-Canadian firms. There are very few Canadian firms that have the capacity and balance sheet to lead P3 projects. However, many firms participate in subordinate roles. The majority of lead bidders are foreign.

International participation in the market ensures competition and value for taxpayers. Moreover, the disciplines of international trade agreements limit Canada's ability to favour domestic firms. However, a greater understanding of how to increase the participation of Canadian firms will need to be explored further.

Private Sector Innovation

Traditionally, the public sector defines the infrastructure need and conceives the solution. P3s engage the private sector earlier in the process and provides greater opportunity for innovation in the design of the solution.

It will be important for PPP Canada to maintain a conduit to the private sector for innovative ideas on the delivery of infrastructure services. In the first instance, this means an on-going dialogue about the best-practices in the private sector so that it can be brought to bear on project assessments and shared amongst practitioners. More generally, it will mean identifying opportunities for the private sector to input and/or shape infrastructure project proposals.

Enabling Business Environment

A business environment that enables private sector participation in P3s will be good for the market and ultimately for Canadians. The private sector is relatively new in Canada's P3 market and a number of framework policy areas may need to be addressed to ensure that the private sector can develop on a level-playing field. Potential early areas that have been identified include taxation and export financing rules. P3 Canada will work with the private sector and federal partners to assess the issues and highlight the need for change as appropriate.

2.4 International Context

There is a significant and growing body of experience and knowledge internationally on P3s. The UK has the most established P3 program. Partnership UK was established in 1992 and the Treasury has established a comprehensive policy guidance framework for P3s.

Australia has also been active with P3s with the two largest states establishing dedicated P3 agencies. An overall Commonwealth policy framework for P3s was agreed by the federal and state governments.

Other European countries also have developed P3 programs, including Spain (particularly toll roads), France, Netherlands, Sweden and others.

The U.S. has a number of P3 initiatives occurring at the state level and is assessing the creation of a federal P3 agency.

Many other countries are also pursuing or developing P3s (South Korea, South Africa etc.).

Public-private partnerships are a matter of focus in the context of international development and international financial institutions (e.g., World Bank) as a means to address the significant infrastructure deficits of developing countries.

At the request of the Department of Finance, PPP Canada is participating in an APEC (Asia Pacific Economic Cooperation) study being led by Australia. Over time, PPP Canada will develop linkages with international counterparts to share knowledge and experience.

3 Business Lines

3.1 Business Line Overview

PPP Canada's mandate is to develop the Canadian market for public-private partnerships for the supply of public infrastructure in the public interest. To achieve this, PPP Canada has established three business lines all of which are anchored in its corporate objects:

1. Increase the use of P3s by other orders of government, using:
 - A. The P3 Canada Fund
 - B. The P3 Screen
2. Expand federal government use of P3s; and,
3. Establish PPP Canada as a Centre of Expertise for P3s

These three business lines are at various stages of development. Their full implementation will require the establishment of corporate capacity, appropriate enabling authorities, and partnerships with other organizations.

Business line 1: Increase the use of P3s by other orders of governments

Over the past 15 years, the federal government has devoted billions of dollars to support the development of infrastructure by other orders of government (provinces, territories, municipalities and First Nations). While some of these projects have involved P3s (e.g., Canada Line, A30), there has not been a systematic effort to increase their usage. Consequently opportunities to deliver public infrastructure in a more timely and cost-effective way have not been fully realized. This business line has two elements:

A. Invest the P3 Canada Fund: This \$1.2 billion fund has been established to enable PPP Canada to make targeted direct, merit-based investments in infrastructure projects where an other order of government is the proponent, and where doing so will increase demand for and broaden the use of P3s by other orders of government. Specifically, this means targeting projects that would establish or anchor the use of P3s by an other order of government or, where the use of P3s are established, broadening their application to other sectors or models.

This business line will further develop the market for P3s through targeted project investments that expand the capacity and knowledge associated with implementing P3s projects.

B. Apply the P3 Screen:

The Corporate Objects include the mandate to "assess the suitability of public-private partnership projects seeking funding from federal infrastructure programs in accordance with criteria established by or pursuant to Treasury Board authorities". This mandate has often been referred to as the "P3 Screen". The purpose of the P3 Screen was to ensure that the potential value of a P3 for infrastructure projects seeking funding from grants and contributions programs of the federal government would have been considered. This would increase the potential leverage the federal government for the use of P3s.

Through the 2008-09 Corporate Plan, the Treasury Board approved the application of this element of the mandate with respect to the Building Canada Fund and the Gateways Fund administered by Transport, Infrastructure and Communities for projects in excess of \$50 million. The application of the P3 Screen to other federal infrastructure programs was not addressed at that time.

However, before the application of the P3 Screen to the Building Canada Fund and the Gateways Fund had commenced, it was suspended by the government in late 2008 for two years to facilitate the rapid delivery of short-term, infrastructure stimulus funding to other orders of government.

Business line 2: Increase the federal government's use of P3s

In addition to supporting the development of infrastructure by other orders of government, the federal government is also a direct procurer of infrastructure in areas of direct federal responsibility. These infrastructure projects are undertaken by a wide-range of federal line departments as the proponents, and are governed by procurement policies established by the Treasury Board. With respect to these projects at the federal level, PPP Canada has the responsibility to assess P3 opportunities in accordance with criteria established by Treasury Board and to advise on the execution of these projects.

Business line 3: Establish PPP Canada as a Centre of Expertise for P3s

PPP Canada also has general responsibility to act as a source of expertise and advice on P3 matters. This responsibility to develop and share knowledge supports the other business lines and will be informed by them. The objective of this business line is to establish a federal focal point to connect, advance and communicate knowledge on P3s.

3.2 Business line success factors: market knowledge, value proposition and partnerships

There are three critical success factors for PPP Canada's business:

- ***Client and market segment knowledge:*** The business of public infrastructure and P3s has diverse market segments and a range of potential clients for PPP Canada. Our business line strategies must be based on a specific understanding of client needs and market segment, and be targeted accordingly.

The capacity of the public and private sectors in Canada with respect to P3 is diverse and uneven. The public sector is the procurer of public infrastructure and must understand the why, what's and how's of procuring public infrastructure in the public interest. PPP Canada must invest in growing its understanding of these market segments in order to continuously align and improve the value proposition of its business lines and measure performance. It will do so through ongoing consultation with partners at all levels, with associations and firms representing their markets, and through obtaining independent market research;

- ***Delivering a clear value proposition to clients and the shareholder:*** As a Crown corporation, PPP Canada is well-positioned to understand the interests of the private sector and fuse them in productive collaboration with the interests of the public sector. Each business line must establish a clear value proposition for the client and market it is targeting. Our value proposition must have a clear public policy rationale and be consistent with the corporate objects and the powers they convey including funding investments to catalyze the use of P3 approaches, applying authorities provided by Treasury Board to assess projects, leveraging our relationships with key partners and sharing our expertise on P3 matters; and

Establishing and leveraging relationship with key partners and stakeholders:

Given the scope of the market and the issues, the Corporation will need to establish and work closely with key partners to achieve its objectives. Provinces and Territories will be the first priority for partnership development. A number of provinces have established expertise and track records on P3s. The Corporation can learn and network their experience to build its capacity. The Pan Canadian forum has been established to bring together provinces and territories twice a year to share experience and knowledge and to work on common goals. P3 Canada will be hosting the Pan Canadian in 2010. Provinces and Territories will be important partners in launching and implementing the P3CF as they are a prime target for Fund. In addition, Provinces and Territories will be important partners in pursuing over time the municipal market. Their networks, knowledge, funding support and execution skills will be important in the application of P3s in municipalities.

Indian and Northern Affairs Canada (INAC) is a key partner to enable the application of P3s in First Nations communities. INAC's knowledge of the infrastructure needs and capacity of First Nation communities will be important to identifying high potential projects. Moreover, INAC financial and policy support will be necessary to realize the projects. A close partnership has already been formed with INAC with the strong endorsement and engagement of the Minister.

Infrastructure Canada will be important partners in coordinating the overall federal relationship with provinces, territories and municipalities. In addition, their experience on issues ranging from environmental assessment to the design of funding agreements will be helpful. A regular dialogue with INAC on policy and project issues has been established.

Treasury Board Secretariat plays a significant role in the establishment and review of federal procurement and major capital project policies and projects. TBS will be an important partner in determining the best way to advance thinking on P3s at the federal level. In a related way, Public Works and Government Services as the common service procurement agent for the federal government has an important role to play on P3s. PWGSC has established an internal P3 centre of expertise; opportunities for greater collaboration with PWGSC are being explored.

3.3 Correlation of business lines and success factors

The table below provides an overview of the success factors for each business line.

Success Factors \ Business Line	1. Increasing P3 use by other orders of government		2. Increase use of P3s by federal sector	3. Establish PPP Canada as a Centre of Expertise for P3s
	a. P3C Fund	b. P3 Screen		
Client / Market Segment	Provinces Territories Municipalities First Nations Private Sector	Infrastructure Canada and Transport Canada	Federal Line Departments	Provinces Territories Municipalities First Nations Federal Organizations Private Sector Public
Value Proposition	Financial Support Expertise	P3 Suitability Assessment Expertise	P3 Suitability Assessment Execution Advice Expertise	Expertise
Partners/Stakeholders	Provinces (for municipalities) Indian and Northern Affairs Canada Infrastructure Canada and Transport Canada	Treasury Board Secretariat	Treasury Board Secretariat Public Works and Government Services Canada	Domestic P3 Agencies P3 Agencies in other Countries Academic Institutions Canadian Council Public -Private Partnerships

3.4 Business Line Strategies

This section outlines the strategies for each of the business lines. It provides background and progress on the development of the business line and sets out future priorities and key issues.

Business line 1: Increase the use of P3s by other orders of governments - *present status, strategy and results, priority actions, considerations and issues*

Part 1. A. P3 Canada Fund

Present status

The P3 Canada Fund (P3CF) has been a dominant focus for the Corporation. The overall strategy has been to expedite the launch of the Fund, engage and lever the knowledge and networks of key partners and stakeholders, and to learn by doing.

In April, PPP Canada engaged those provinces with advanced capacities on P3s to explore the process and approach for implementing the P3CF. At the same time, we engaged senior level representatives in all provinces and territories to communicate the objectives of the P3CF and initiate dialogue.

In early May, the CEO wrote to all provinces and territories to seek an initial market sounding of potential projects in their jurisdiction. This market sounding enabled both the identification of early potential projects at the provincial, municipal and First Nations levels, and the testing and refinement of our approach to project identification and evaluation.

The Corporation initiated Round 1 of the P3CF call for projects on September 15, 2009, with a deadline of October 30. Round 1 is expected to involve up to \$165 million in disbursements from the fund to qualified projects based on merit.

The approach to Round 1 is to work with provinces, territories, and Indian and Northern Affairs Canada to identify potential projects. By engaging provinces and territories as a conduit for municipal projects PPP Canada is able to leverage the expertise and networks of provinces and respect their relationships with municipalities. For many municipal projects, provinces may also be a financial participant.

Working through INAC to identify First Nations' projects also levers their networks and expertise and complements their efforts to develop new approaches to infrastructure within INAC programs.

Based on consultation and consistent with the terms and conditions approved by the Treasury Board, significant early work has been devoted to the project identification, selection and due diligence process. Attached for information in [Annex 2](#) is an overview schematic of the process as well as the letter and Project Submission Guide [Annex 3](#) which was issued on September 15, 2009.

The process is staged to allow for increasingly detailed assessment and due diligence as the process progresses. This avoids the investment of significant effort by proponents with respect to projects that are not consistent with the focus or eligibility requirements of the Fund. An intensive examination is undertaken at the comprehensive assessment stage which includes

public benefits, the quality and value of the P3 and the required nature and amount of P3C's investment.

The initial market sounding has provided the Corporation with a solid understanding of the projects that will likely be submitted in Round 1. In that context, the Corporation is expecting the three Maritime Provinces to submit a project regarding a wireless emergency radio system to serve first responders (e.g., ambulance, police etc) in the three provinces. The Corporation has assessed the eligibility of this project and is of the view that it is consistent with provisions related to connectivity and emergency measures.

The range and depth of industrial sectors in Canada represents a potentially large area of application for P3 projects. As noted, PPP Canada will need to further explore the full potential of some of the less traditional sectors of application in consultation with its public and private stakeholders. These non traditional sectors also represent interesting market potential for positioning of P3 projects using less traditional financial instruments such as repayable contributions, loans, loan guarantees and non-voting shares. This will provide greater flexibility and better structure the market to position additional P3 projects.

The Corporation expects to launch Round Two shortly after the close of Round One, and that Round Two would close in the first half of 2010. Consistency in approach for the first several rounds will be helpful to establish business practices. Further refinement of the process will benefit from the results and experiences of earlier Rounds and be incorporated into future Rounds and any focusing on specific sectors or markets, should be informed by the results of Round One.

Strategy and results

The P3 Canada Fund is a vehicle to achieve two main objectives. The first is to broaden and deepen the use of P3s by other orders of government. The second is to increase the knowledge and institutional capacity for future P3s. Projects will need to be sound public benefit investments and create value as a P3 when compared to traditional procurement. However, more than that, they will need to represent an addition to the P3 market in Canada.

Baseline information on the P3 market to establish indicators and performance targets is still under development. Key result measures may include increase in the number or percentage of infrastructure projects undertaken as P3s, increase in the sectors to which P3s are applied and the increased maturity of P3 institutions.

Priority actions

The following priority actions have been identified, by relevant time periods:

2009/10

- Engage all provinces and territories and INAC (complete)
- Design and complete market sounding (complete)
- Develop strategy for and issue call for projects for Round 1 (complete)
- Develop preliminary assessment criteria (complete)
- Develop comprehensive assessment criteria (in progress)
- Assess Round 1 projects against preliminary and comprehensive criteria (September-March)
- Recommend Round 1 project approvals (December 2009-June 2010)
- Design and launch Round 2

2010-12

- Conduct periodic calls for projects, building on experience of early funding rounds
- Execute and monitor projects
- Extract and share learning from projects
- Develop strategies aimed at meeting the needs of municipalities

2012-14

- Commit all funding
- Evaluate future of P3 Canada Fund

Considerations and issues involving the P3 Canada Fund

- *Terms and conditions* – the terms and conditions established for the P3CF are prescriptive and are in a number of respects based on more traditional infrastructure funding programs. In order to facilitate expeditious progress with the Fund the Corporation is working within the intent of the terms and conditions to find practical solutions to moving projects forward. Over time and with experience, it is expected that the Corporation will need to secure amendments to better align funding with the needs of the P3 model and market. This will be addressed in future Corporate Plans.
- *Re-payments to fund* – The potential for repayment and return to the Fund will be assessed for every project. This potential will vary depending on the project type and structure. Potential for repayment will be higher in cases where there are direct project revenues.
- *Availability of private financing for P3s* – with respect to the private sector, there has been significant focus on the impact of the financial crisis on the ability of the private sector to secure financing for P3 transactions. PPP Canada has worked with EDC to ensure that its new domestic powers are addressing the needs in the areas of surety and lending. The conditions of markets continue to improve and financing is increasingly available for P3 transactions. However, this is an area which will require continued monitoring.
- *Underwriting risk in unique cases* – in project structures where a significant share of the revenue is generated by the project (e.g., power sale agreements), there may be a need for PPP Canada to underwrite some of the risk for the private sector of these revenue streams. At present this type of project is rare in Canada. In these circumstances, PPP Canada would expect to share in any returns.

Part 1. B. Apply the P3 screen

Present status

The Corporate Objects include the mandate to “assess the suitability of public-private partnership projects seeking funding from federal infrastructure programs in accordance with criteria established by or pursuant to Treasury Board authorities”. This mandate has often been referred to as the “P3 Screen”. The purpose of the P3 Screen was to ensure that the potential value of a P3 for infrastructure projects seeking funding from grants and contributions programs of the federal government would have been considered. This would increase the potential leverage the federal government for the use of P3s.

Through the 2008-09 Corporate Plan, the Treasury Board approved the application of this element of the mandate with respect to the Building Canada Fund and the Gateways Fund

administered by Transport, Infrastructure and Communities for projects in excess of \$50 million. The application of the P3 Screen to other federal infrastructure programs was not addressed at that time.

However, before the application of the P3 Screen to the Building Canada Fund and the Gateways Fund had commenced, it was suspended by the government in late 2008 for two years to facilitate the rapid delivery of short-term, infrastructure stimulus funding to other orders of government.

Consequently this has not been an early focus for the Corporation. An interdepartmental coordinating committee engaging key federal organizations with an interest in P3s has been struck. The future of the P3 Screen is part of the future agenda for this group. A strategy regarding whether and how the P3 Screen should be reinstated will be the subject of future Corporate Plans and will be guided by direction from the government.

Strategy and Results

The purpose of the P3 Screen is to ensure that the potential value of a P3 has been considered and realized. The vast majority of federal infrastructure funding programs are managed by other federal departments and agencies. Integrating a P3 screen into the assessment process for these programs would increase the leverage of the federal government regarding P3s. A screen that was streamlined and sensitive to the policy objectives and accountabilities of other departments will be critical.

The future of a mandatory P3 Screen will be determined at a later date. In the meantime, PPP Canada will work with interested departments on the development of an internal departmental screen for P3s for their programs. Such work is underway with INAC.

Performance under this business line will be measured in terms of the number of departments/programs screening projects and the number of P3s funded through other programs.

Priority actions

The following priority actions have been identified, by relevant time periods:

2009/10

- Work with interested departments on the application of a P3 Screen for their infrastructure programs

2010-12

- Engage affected departments and central agencies regarding the future of the mandatory P3 Screen

2012-14

- On-going application of the screen

Considerations and issues involving the P3 screen

- *Scope* - the scope of application of the P3 Screen will need to be considered. The focus, of past work, has been on infrastructure programs under the responsibility of the Minister of Transport, Infrastructure and Communities. In considering the reinstatement of the P3 Screen, the application of the P3 Screen beyond TIC programs will need to be assessed.

- *Governance* - the governance of the P3 Screen will also be subject of further consideration. As previously conceived, it was mandatory for TIC to seek PPP Canada's opinion but it was at the sole discretion of the Minister whether to consider the opinion. This is appropriate given the lack of governance and accountability relationship between a Crown and a Minister. However, it raises questions about the import of the P3 Screen and whether it should be part of TB consideration when specific project approvals are sought.

Business line 2: Increase the federal government's use of P3s - *present status, strategy and results, priority actions, considerations and issues*

Present status

The federal government is a significant procurer of infrastructure for both its own use (e.g., new CSE headquarters) or for the use of the general public (e.g., the Detroit-Windsor crossing). However to date, PPP Canada's main focus has been on the P3 Canada Fund and to a lesser extent, the P3 Screen.

PPP Canada's responsibility to assess P3 opportunities at the federal level is to be done in accordance with criteria to be established by the Treasury Board. PPP Canada's role with respect to projects at the federal level has not yet been reflected in federal capital and procurement policies and responsibilities. This is an area of significant opportunity and interest if PPP Canada is going to realize its potential.

Dialogue with Treasury Board Secretariat (TBS), Public Work Government Services Canada and line departments has begun regarding potential options and approaches. In the end, the Treasury Board will decide whether and how to enable these responsibilities. In the meantime, PPP Canada will work as capacity permits with interested departments.

Strategy and Results

The aim is to integrate P3 assessment into federal decision-making on its own capital projects and enable the institutional capacity to execute P3s at the federal level. Key results will include the number/percentage of P3s undertaken at the federal level and the value for money created by those projects.

Priority actions

The following priority actions have been identified, by relevant time periods:

2009/10

- frame options for TB/TBS consideration regarding a federal P3 policy and P3 suitability assessment criteria
- early work involving assistance and advice with departments already considering or pursuing P3s

2010-12

- support the approval process by TB/TBS of a federal policy on P3s
- implement PPP Canada's P3 suitability assessment role with respect to potential P3 projects at the federal level

2012-14

- broaden PPP Canada's role in P3 projects at the federal level

Considerations and issues for the federal sector

- *TBS engagement* - specific elements of this business line will require the engagement of TBS and TB. In particular, P3 suitability assessment criteria for projects at the federal level need to be established by the Treasury Board. More broadly, an overall policy regarding P3s either on its own or as an element of the procurement policies established by Treasury Board will need to be considered.

Business line 3: **Establish PPP Canada as a Centre of Expertise for P3s - present status, strategy and results, priority actions, considerations and issues**

Present status

Developing and sharing expertise will be an enabler of the other business lines. P3s are generally not well understood by the public and key decision makers. Moreover, the assessment, design and execution of P3s require a significant degree of expertise. PPP Canada will need to focus on both increasing general understanding of P3s and on more specific expertise on the assessment, structuring, negotiation and execution of P3s. This means gathering and building knowledge along with outreach, communications and client strategies to share this knowledge.

PPP Canada has already begun this process, starting with learning from key P3 agencies at the provincial level, and from the general body of academic and business literature on P3s. PPP Canada is also co-funding with provincial counterparts an in-depth analysis of Canadian P3 experience by the Conference Board of Canada which will be released in the Fall of 2009. PPP Canada will be hosting the Pan Canadian Forum on P3s in the Spring of 2010.

PPP Canada's first Annual Report was tabled in Parliament in September 2009 and we have launched a website that will continue to be strengthened over time. In terms of direct outreach to key stakeholders, PPP Canada is meeting with stakeholders across the country from both public and private sectors as well as with labour organizations.

The PPP Canada fund, through its project selection criteria, will also contribute to the growing body of knowledge about P3s. As part of its first call for projects, the project selection guide includes a P3 suitability assessment framework which is a useful tool for proponents.

As well, we expect that PPP Canada's national recruitment strategy will focus on private and public sector individuals who have direct experience with P3s, and this will help to build practical expertise within the Corporation.

We will need to examine the lessons learned by our counterparts overseas such as the UK, Australia and Spain, who have established themselves as world leaders in the number and scale of P3.

Strategy and Results

The Centre of Expertise will need to be focused around the needs of clients. This will require a clear understanding of their needs and developing the tools and products to meet these needs. Leveraging and networking the efforts will be a key strategy. As a federal entity, PPP Canada will be uniquely positioned to bring a national focus to P3s and connect the work of provincial agencies.

Results will be measured by client feedback and market reputation. Over time, pricing of advisory services may be considered to provide a market test for the Corporation's expertise.

Priority actions

The following priority actions have been identified, by relevant time periods:

2009/10

- access and network knowledge at the Provincial level
- begin outreach to key stakeholders
- launch website
- table first Annual Report
- survey existing academic material
- recruit P3 expertise
- connect with leading international organizations

2010-12

- seed academic research on P3s in Canadian institutions
- harvest and share knowledge of P3 projects funded from the P3CF
- host the Pan Canadian Forum
- develop a communications and outreach strategy

2012-14

- PPP Canada established as a leading source of expertise at the federal level

Considerations and issues for establishing a Center of Expertise

- *Aligning demand with capacity* - the diversity of needs and potential clients for PPP Canada's expertise is significant. This scope and diversity will need to be reconciled with the resource and capacity limits of the Corporation. Enabling and networking with key partners will be essential to success.

4 Building Organizational Capacity

PPP Canada is a recently created Crown corporation. It became administratively operational with the appointment of a CEO on February 16, 2009. The Corporation was a true start-up requiring a significant focus on the building of corporate capacity. This section focuses on the progress, priorities and key issues related to building the corporate capacity to deliver PPP Canada's mandate.

4.1 Progress

Enabling the development and execution of the Corporation's business strategy requires the establishment of critical financial, human resources, and administrative capacity, as well as business processes and controls. Moreover, as a federal Crown corporation, PPP Canada must ensure it maintains the confidence of the Canadian public in terms of accountability for sound stewardship of public resources.

In this context, PPP Canada has invested in building its financial and administrative capacity. Following consultation with the Comptroller General of Canada, a Chief Financial Officer (CFO) was recruited with the appropriate professional designation and with both public and private sector experience. Key financial and procurement policies and controls have been put in place. An IT infrastructure has been procured and installed. Permanent office accommodation has been secured.

PPP Canada is pursuing a shared services agreement with the Canadian Commercial Corporation. This will permit economies in the delivery of financial and administrative services. Shared services are already in place for IT and some aspects of HR and security. A shared services agreement is being developed and will be effective in fiscal year 2009/10.

To allow early progress, a diverse range of recruitment strategies are being used including interchange assignments, coop assignments, direct employment and professional service contracts. The Corporation has retained the services of a professional recruitment agency. In June, it undertook a national campaign, focusing on the recruitment of experienced P3 professionals. This inventory of candidates is being used to build the organization consistent with the evolution of its business lines and strategies. An interim organizational structure has been put in place. Work is underway to establish compensation frameworks. A recruitment strategy, aligned with the Corporation business lines, will be outlined in the 2010/11 Corporate Plan.

Partnership strategies will be key to leveraging corporate capacity. In addition to the shared services model, PPP Canada will be pursuing partnership arrangements with federal agencies, provinces, private sector organizations, academic institutions among others to leverage their skills and capacities.

4.2 Priorities

2009/10

- accommodation, IT and key financial processes and controls
- completion of shared services agreement
- staff recruitment including a national advertising campaign, with focus on P3 and private sector experience

2010-12

- solidifying organizational structure and capacity
- succession and organizational renewal plans
- strengthening financial and management processes and systems
- negotiating partnership arrangements

2012-14

- demonstrable organizational excellence in all aspects of our corporate management

4.3 Considerations and Issues

PPP Canada is a relatively small organization. It will need to be supple and creative in how it builds capacity across its business lines and in support of its corporate and fiduciary responsibilities. It will need to employ the capacities of others where possible, contract for specialized skills and recruit an adaptable workforce.

PPP Canada is also a new organization. Its business lines are still under development. Each of the business lines will require different skill sets. The relative focus of the organization between and within business lines will change. It will need to build capacity while maintaining the ability to adjust.

The Corporation will need people and a culture that mixes both public and private sector backgrounds. Ensuring an effective mix, with a particular focus on increasing private sector experience within the Corporation will be a priority.

5 Financial Authorities

Issue: *Drawdown the P3 Canada Fund*

The private sector and business partners will demand that PPP Canada provide financial commitments to a P3 project in a form and of strength that reflects the full backing of the Government of Canada. Project proponents and consortia will require “bankable” commitments, when seeking project financing from the credit markets. It is in the interest of the Government that in order to build the P3 market in Canada PPP Canada is able to appropriately respond to this issue.

Consultations

PPP Canada has consulted Treasury Board Secretariat, Finance, Office of the Comptroller General and Privy Council to ensure their agreement with the Treasury Board of an exemption to their Directive.

Authority Request

That Treasury Board approve an exemption to Treasury Board’s Directive for fiscal year 2009/10 on the Use of the Consolidated Revenue Fund for Crown Corporations and allow PPP Canada to invest such funds in accordance with PPP Canada Board’s approved investment policy.

Issue: *Reprofiling of Operating Funds*

Background

The existing operating profile within the fiscal framework provided for excess operating funds in both 2009/10 and 2010/11 and a deficit in 2013/14. The goal of a reprofile request is to balance available funding over the 2009/10 to 2013/14 periods and to better match the required resources to the P3 Canada Fund. Therefore the reprofile will involve funds associated with delivery of the P3 Canada Fund and not the baseline operating amount of \$5M.

1. **Reprofile the funding into a future fiscal year.** A reprofile request of \$3.5M out of 2009/10 and \$2.7 out of 2010/11 should be reprofiled into fiscal years 2011/12 to 2013/14 as noted below.

	2009/10	2010/11	2011/12	2012/13	2013/14
Base Operating Funding	\$5.0	\$5.0	\$5.0	\$5.0	-
P3 Canada Fund Program Delivery	\$5.1	\$10.4	\$7.5	\$7.5	\$7.0
Requested Reprofile of P3 Canada Fund Program Delivery	(\$3.5)	(\$2.7)	\$1.9	\$1.9	\$2.4
Adjusted P3 Canada Fund Program Delivery	\$1.6	\$7.7	\$9.4	\$9.4	\$9.4
Adjusted Total Operating Funding	\$6.6	\$12.7	\$14.4	\$14.4	\$9.4

Authority Request

That Treasury Board approves a PPP Canada reprofile request of the P3 Canada Fund Program Delivery of \$3.5M from fiscal 2009/10 and \$2.7M from 2010/11 and into years 2011/12 to 2013/14.

6 Summary of Approvals and Authorities Requested

With this submission, the following approvals are sought:

1. Governor-in-Council approval of the PPP Canada Amended Corporate Plan for the 2009-2012 planning period;
2. Treasury Board approval for P3C's 2009/10 Operating Budget and 2009/10 Capital Budget;
3. That Treasury Board approve an exemption to Treasury Board's Directive on the Use of the Consolidated Revenue Fund for Crown Corporations for 2009/10 in order to enable PPP Canada to provide project proponents a "bankable" commitment when taking their project to market. PPP Canada will invest such funds in accordance with PPP Canada Board's approved investment policy;
4. That Treasury Board approves a PPP Canada reprofile request of the P3 Canada Fund Program Delivery of \$3.5M from fiscal 2009/10 and \$2.7M from 2010/11 and into years 2011/12 to 2013/14.

7 Commitment to Performance and Risk Management

7.1 Developing a performance management framework, targets and indicators

In fiscal 2009/10 PPP Canada will develop a Performance Management Framework working with its Board of Directors that will form the basis for future evaluations. With the objective of “Developing the Canadian P3 market for public infrastructure in the public interest” PPP Canada has undertaken to provide some baseline jurisdictional market information as is included in section 2.2 and Annex 1 of this Corporate Plan. Annually PPP Canada will update this information and will expand the information to include performance metrics that could include items such as the jurisdiction’s development of a policy framework, the number of P3 projects, the variety of sectors of the jurisdiction’s projects, or the percentage of infrastructure budget invested in P3s.

7.2 Developing an Enterprise Risk Management Framework

Corporate risk is an inherent part of PPP Canada’s business from an operational and financial standpoint. As the Corporation continues to build a strong foundation of management, policies, and governance practices in 2009/10, the organization’s management team will continue to refine, in consultation with the new Board of Directors, a comprehensive enterprise risk management program from that which was presented and approved by Treasury Board in the amended 2008/09 Corporate Plan.

Risk management within PPP Canada is a shared process between the Corporation’s management team and the Board of Directors. The Board will ensure that a formal risk management program is developed, maintained, effective, and reviewed on a regular basis. The management team will ensure that effective structures, policies, and procedures are incorporated into the risk management program and implemented.

8 Financial Statements

8.1 2009/10 Operating and Capital Budgets

Fiscal 2009/10 operating and capital budget expenditures are detailed in the two financial statements shown below. With a Vote 1 Appropriation of \$6.6M (\$5.7M operating and \$0.9M capital, after adjusting for reprofile request, 2009/10 will generate a current year cash deficit of \$0.7M which will be funded from the opening cash surplus generated in fiscal 2008/09. During fiscal 2009/10 the Corporation will still be in the development stage and should reach full staff compliment by the end of the fiscal year. The previous fiscal year, 2008/09, is not comparable for two reasons. First, it was for a 14 month reporting period from incorporation on February 12, 2008 to March 31, 2009 and secondly it reported on costs associated with the initial start-up of the Corporation.

The 2009/10 operating and capital budgets include actual costs incurred up to August 31, 2009 and reflect the continued start-up of the Corporation including capital expenditures associated with new office space.

PPP Canada Inc.
Budget Statement of Operations, Comprehensive Income
and Retained Earnings
Year Ending March 31, 2010
(\$000)

	<u>2008/09</u>	<u>2009/10</u>	
	<u>Actual</u>	<u>Actual August 31, 2009</u>	<u>Budget</u>
EXPENSES			
Salaries & Benefits		993	2,570
Travel & Communications		36	352
Information		6	20
Legal		56	159
Management consultants		61	914
P3 Canada Fund consultants		491	1617
Rental		59	350
Purchased Repair & Maintenance		16	150
Directors Fees & Other Services		60	188
Temporary Help Services		31	50
Interpretation & Translation Services		1	30
Amortization	7	74	148
Start-up costs	2,234		
	2,241	1,884	6,548
REVENUES			
Interest Income	18	2	35
Net results of operations before Parliamentary appropriations	(2,223)	(1,882)	(6,513)
Parliamentary appropriations	3,386	2,525	5,700
Amortization of deferred capital funding	7	74	148
Net results of operations, comprehensive income	1,170	(717)	(665)
Retained earnings, beginning of year	-	1,170	1,170
Retained earnings, end of year	1,170	453	505

PPP Canada Inc.
Budget Statement of Capital
Year Ending March 31, 2010
(\$000)

	2008/09	2009/10	
	Actual	Actual August 31, 2009	Budget
Capital Expenditures			
Equipment	44	539	650
Leasehold improvements		224	250
Total Capital Expenditures	44	763	900
Amortization equipment	7	61	123
Amortization Leasehold improvements		13	25
Total Amortization	7	74	148
Equipment amortized straight line over 3 years			
Leasehold improvements amortized straight line over 5 years			

8.2 2009/10 to 2013/14 Pro-forma Financial Statements

PPP Canada Inc.
Pro-Forma Statement of Operations, Comprehensive Income
and Retained Earnings
For the Years Ended March 31, 2009 to 2014
(\$000)

	Actual 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
EXPENSES						
Salaries and Benefits		2,570	4,380	4,600	4,830	5,070
Travel & Communications		352	670	620	610	410
Information		20	50	70	80	90
Legal		159	300	350	350	350
Management consultants		914	1200	1300	1300	1300
P3 Canada Fund consultants		1617	5380	5150	4900	4910
Rental		350	380	370	375	375
Purchased Repair & Maintenance		150	135	35	35	35
Directors Fees & Other Services		188	105	105	110	110
Temporary Help Services		50	50	50	50	100
Interpretation & Translation Services		30	50	50	50	50
Amortization	7	148	290	299	200	100
Start-up costs	2,234					
	2,241	6,548	12,990	12,999	12,890	12,900
REVENUES						
Interest Income	18	35	35	35	35	35
Net results of operations before Parliamentary appropriations	(2,223)	(6,513)	(12,955)	(12,964)	(12,855)	(12,865)
Parliamentary appropriations	3,386	5,700	12,650	14,350	14,350	9,350
Amortization of deferred capital funding	7	148	290	299	200	100
Opening Balance	-	1,170	505	490	2,175	3,870
Net results of operations, comprehensive income and retained earnings, end of year	1,170	505	490	2,175	3,870	455

Assumptions

(1) Full staff complete at April 1, 2010 with a salary increase of 5% for future years.

PPP Canada Inc.
Pro-Forma Balance Sheets
As at March 31, 2009 to 2014
(\$000)

	Actual 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Cash and cash equivalents	1,516	1,064	2,194	8,621	22,263	31,587
Equipment	37	571	381	182	82	82
Leasehold improvements		225	175	125	75	25
P3 Canada Fund		165,400	383,090	555,555	634,415	634,650
	1,553	167,260	385,840	564,483	656,835	666,344
Liabilities						
Accounts payable and accrued liabilities	298	298	298	298	298	298
	298	298	298	298	298	298
Employee future benefits	48	96	144	192	240	288
Deferred capital funding	37	796	556	307	157	107
Shareholder's Equity						
Accumulated interest earned in P3 Canada Fund		165	1,262	5,956	17,855	30,546
P3 Canada Fund (* Note 1)		165,400	383,090	555,555	634,415	634,650
Retained earnings	1,170	505	490	2,175	3,870	455
	1,553	167,260	385,840	564,483	656,835	666,344

Assumptions

- (1) Accounts payable and accrued liabilities are estimated for current and future years.
- (2) Employee future benefits accumulate at an estimated \$48k per year.
- (3) See Pro-forma Statement of P3 Canada Fund for the Investment Fund activities including accumulated interest.

Note 1: The P3 Canada Fund was treated as a Deferred Contribution Liability in the 2008/09 amended Corporate Plan. This corporate plan accounts for the P3 Canada fund as Shareholder's equity reflecting the accounting treatment recommended by the new management of PPP Canada.

This accounting treatment is being researched to ensure consistency with recent Canadian Institute of Chartered Accountants (CICA) Exposure Drafts and will be reviewed by PPP Canada's Audit Committee.

**PPP Canada Inc.
Pro-forma Statement of P3 Canada Fund Cash Flows
For the Years Ending March 31, 2010 to 2014
(\$000)**

	2009/10	2010/11	2011/12	2012/13	2013/14
Appropriation	165,400	242,500	275,000	275,000	252,900
Disbursement		(24,810)	(102,535)	(196,140)	(252,665)
Opening Cash Balance		165,400	383,090	555,555	634,415
Closing Cash Balance	165,400	383,090	555,555	634,415	634,650
Interest Earned on Excess Funds	165	1,097	4,693	11,900	12,691
Cumulative Earned Interest	165	1,262	5,956	17,855	30,546
Interest rate assumption	0.40%	0.40%	1.00%	2.00%	2.00%

Assumptions

Disbursements made on the following basis:

- 15% year after drawdown
- 40% 2nd year after drawdown
- 35% 3rd year after drawdown
- 10% 4th year after drawdown

Investments of cash reserves shall follow the guidelines set out in the Board approved Investment Policy.

PPP Canada Inc.
Pro-forma Statements of Operating Cash Flows
For the Years Ended March 31, 2009 to 2014
(\$000)

	Actual					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Cash flows provided by (used in) operating activities						
Interest income received	18	200	1,132	4,729	11,934	12,726
Cash used for operating expenses	(1,888)	(6,352)	(12,652)	(12,652)	(12,642)	(12,752)
Cash received from appropriations	3,386	5,700	12,650	14,350	14,350	9,350
	1,516	(452)	1,130	6,427	13,642	9,324
Cash flows provided by (used in) investing activities						
Acquisition of equipment	(44)	(650)	(50)	(50)	(50)	(50)
Acquisition of leasehold improvements		(250)				
Cash flows provided by financing activities						
Parliamentary appropriations for capital funding	44	900	50	50	50	50
Increase (decrease) in cash and cash equivalents	1,516	(452)	1,130	6,427	13,642	9,324
Cash and Cash equivalents, beginning of year		1,516	1,064	2,194	8,621	22,263
Cash and Cash equivalents, end of year	1,516	1,064	2,194	8,621	22,263	31,587

PPP Canada Inc.
Pro-forma Statements of Capital Budget
For the Years Ended March 31, 2009 to 2014
(\$000)

	Actual 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Capital Expenditures						
Equipment	44	650	50	50	50	50
Leasehold improvements		250				
Total Capital Expenditures	44	900	50	50	50	50
Amortization equipment	7	123	240	249	150	50
Amortization Leasehold improvements		25	50	50	50	50
Total Amortization	7	148	290	299	200	100

Equipment amortized straight line over 3 years

Leasehold improvements amortized straight line over 5 years

PPP Canada Inc.
Operating Budget by Funding Component
Fiscal Years 2009/10 to 2013/14
(\$000)

Base	2009/10	2010/11	2011/12	2012/13	2013/14
Salaries & Benefits	2,570	1,971	1,937	2,023	2,203
Travel & Communications	352	469	434	427	287
Information	20	50	70	80	90
Legal	159	300	350	350	350
Management Consultants	914	1,200	1,300	1,300	1,300
Rental	350	380	370	375	375
Purchased Repair & Maintenance	150	135	35	35	35
Directors Fees & Other Services	188	105	105	110	110
Temporary Help Services	50	50	50	50	100
Interpretation & Translation Services	30	50	50	50	50
Amortization	148	290	299	200	100
	4,931	5,000	5,000	5,000	5,000
P3 Canada Fund					
Salaries & Benefits	-	2,409	2,663	2,807	2,867
Travel & Communications		201	186	183	123
P3 Canada Fund Consultants	1,617	5,380	5,150	4,900	4,910
	1,617	7,990	7,999	7,890	7,900
Total Operating Fund	6,548	12,990	12,999	12,890	12,900

ANNEX 1 – Summary of advanced and emerging markets

Advanced P3 markets

Ontario

Infrastructure Ontario (IO), a Crown corporation incorporated in 2006, is the P3 procurement agent for the Province of Ontario. IO has undertaken the greatest number of P3 transactions of any provincial entity. Eighteen of the twenty-five projects currently under construction are build-finance (BF) projects, meaning there are no long-term operations or maintenance role for the private sector after construction, although IO is moving towards the design-build-finance-maintain (DBFM) model. Most of IO's completed procurements (i.e., projects in operation or under construction) are hospital projects. However, IO's pipeline of projects (i.e., in procurement) include multiple justice (courthouses, jails) and transportation projects. IO projects typically have a value of \$100M - \$300M in total costs.

British Columbia

The government of British Columbia institutionalized P3 use in 2002 with the creation of Partnerships BC (PBC), a provincial corporation, and the introduction of a capital asset framework that encouraged P3 procurement under appropriate circumstances. BC has executed a wide range of successful projects – largely in the transportation and health care sectors. Along with Ontario, the province represents the highest level of P3 market development in Canada. PBC has developed to the point where it is able to provide contract services in support of P3 development in other Canadian jurisdictions.

In response to unstable economic conditions, PBC has begun experimenting with “wide equity”, a financing structure that can reduce or eliminate the need for private debt.

Quebec

The provincial agency, PPP Québec, received its government mandate in 2005. Its activities are governed by a board of directors, led by the CEO (recently replaced) and comprised of eight other members -- four from public bodies and four from the private sector. The government is reviewing its use of P3s, and may be preparing to mandate PPP Québec to take a lead role in implementing both conventional and P3 procurements. Projects are focused in the transportation and health sectors. Most are very large, with some projects exceeding of \$1.0B in construction costs. A provincial P3 policy framework was established in 2004.

Alberta

The Province of Alberta implements P3s under the Alternative Capital Financing Office through the Ministry of Treasury Board. To date, \$1.8B worth of capital projects has been approved for procurement via a P3 model. Several projects are either operational, under construction or under procurement. The Office has an established assessment and procurement framework for P3s. The Alberta P3 market is well-developed with respect to provincial procurements (transportation and schools). Growth areas include provincial procurements beyond those two sectors, and procurements by Edmonton and Calgary. The Government of Alberta spends three times the average (per capita) of any other province on capital construction.

Emerging P3 Markets

Saskatchewan

Saskatchewan has recently decided not to create a dedicated P3 Secretariat but to address the issue of PPPs on a project-by-project basis. To date the province has never procured infrastructure via the P3 model. There may be an early PPP project in the transportation sector.

Manitoba

The provincial government does not foresee using P3s for core provincial infrastructure (e.g., highways). However, the government continues to examine P3s as a vehicle for procurement, and does not object to Winnipeg's pursuit of P3s. Under current leadership, the city has been one of the most active Canadian municipalities in this regard. Two municipal projects in Winnipeg are currently in the procurement phase, with several others planned. Two P3 projects are currently operating: the Charleswood Bridge and the East District Police Station.

New Brunswick

Governments in New Brunswick have supported the use of the P3 model for public infrastructure projects for many years. As a result of its positive experiences the province is pursuing the most aggressive P3 strategy in Atlantic Canada with 8 projects' operating and 5 more in development. The province's success with implementing the P3 model has led to municipal confidence in pursuing this approach, particularly Moncton and Saint John. The province has had a P3 policy framework for several years and has recently identified a P3 policy lead.

Nova Scotia

Nova Scotia has essentially been out of the P3 market for the last eight years, largely as a result of the public criticism of past projects. The province re-entered the P3 market early this year and is now actively pursuing two projects, one of them tri-provincial in scope. Nova Scotia's past P3 activity has been focused on highway, school and correctional facility infrastructure. The future policy of the NS government regarding P3s is uncertain, and there is limited investment in institutional capacity.

Prince Edward Island







As a result of the successful Confederation Bridge project there is generally a high level of public acceptance for P3s in PEI. However, PEI is a small market. As a result they have not been able to retain an in-house infrastructure procurement capacity. The province is looking at alternative procurement approaches and senior level officials are open to new ways of doing business.

Northwest Territories

The Government of the Northwest Territories has used the P3 model to procure one major infrastructure project to date; the construction of the Deh Cho toll bridge which spans the McKenzie River, scheduled to open in November 2010. Overall the territorial government is keeping an open mind about the potential application of P3s. However, no P3 project can be approved until the P3 policy update has been completed; the government is currently putting the finishing touches on this policy.

ANNEX 2 – Overview of Schematic of P3 Canada Fund

P3 Canada Fund Process Overview: Round One

Process Stage	Project Identification		Call for Submissions	Preliminary Assessment		Comprehensive Assessment		Negotiate Funding Support		Ministerial Approval
Objective	To identify potential P3 projects	 <i>Initiation of Call for Submissions</i>	To determine which projects are formally supported by the Project Sponsors' governments	To determine which Projects meet the Preliminary Assessment Criteria, and which should proceed to a Comprehensive Assessment	 <i>Approval for Comprehensive Assessment</i>	To determine which projects meet the Comprehensive Assessment Criteria, and which merit support (what form and under what conditions?)	 <i>Approval of Negotiating Mandate</i>	To finalize a Support Agreement with the Project Sponsor, per the Negotiating Mandate	 <i>Ministerial Recommendation</i>	
Criteria				Is the Project eligible?		Will the Project's net benefits exceed its costs?				
				Is the Project prepared for a Comprehensive Assessment?		Is the Project / procurement well-structured?				
	Investment Committee Decision Point, reporting to the board			Will the Project develop the Canadian P3 market?		Will the Project succeed as a P3 / achieve positive Value for Money?				
	Resolution of Board of Directors Required			Can the Project potentially succeed as a P3?		Is support necessary for the Project to proceed, and if so, how much and in what form?				

ANNEX 3 – Project Submission Guide

P3 Canada Fund *Project Submission Guide: Round One*

Project Submission Guide: Purpose and Contents

The objective of P3 Canada Fund (P3CF) is to develop the market for those quality infrastructure projects which are best procured via a public private partnership (“P3”) or alternatively-financed procurement (“AFP”). The P3CF is focused on provincial, territorial, municipal and First Nations P3 or AFP infrastructure projects.

This Project Submission Guide should help provincial/territorial governments identify and submit projects from their jurisdiction, whether procured at the provincial/territorial level or by a municipality. PPP Canada intends to work directly with both provincial/territorial and municipal governments, however, for the purposes of Round One we ask that project proposals be conveyed through a provincial/territorial government. This will assist PPP Canada administratively in managing the overall process and ensure the respective provincial/territorial government has a comprehensive understanding of each project.

PPP Canada is working with the Department of Indian and Northern Affairs Canada (INAC) to identify potential First Nations projects.

The guide includes: an overview of the P3CF program; a Preliminary Submission template for submitting project information to PPP Canada (*Appendix A*); information on how to complete the Preliminary Submission; and an Indicative P3 / AFP Suitability Assessment framework to help prospective project Sponsors^{*} assess whether a given project is a strong candidate for procurement via P3 / AFP (*Appendix B*).

A chart outlining the P3CF submission and assessment process for Round One is included at section 3.0 of this guide. It is a staged process which applies more detailed and rigorous assessment criteria at each stage. This enables the widest consideration of potential projects, initially, while ensuring resources gradually focus on those projects with the highest probability of success.

This is the beginning of multiple rounds, over the coming years, of project submission and assessment. The process and criteria will be refined based on input from stakeholders and experience.

- **Section 1.0** – Introduction to the P3 Canada Fund
- **Section 2.0** – Funding Instruments
- **Section 3.0** – Project Submission: Round One Process
- **Appendix A** – Preliminary Submission template
- **Appendix B** – Indicative P3 / AFP Suitability Assessment

* For the purposes of this document, “Sponsor” refers to the government party seeking a P3CF contribution to support a given P3 / AFP infrastructure procurement.

1.0 Introduction to the P3 Canada Fund

The P3CF is a merit-based program to provide funding support to infrastructure projects procured via a P3 or AFP. The first initiative of its kind in Canada, the P3CF complements other components of the \$33 billion Building Canada Plan.

The P3CF supports eligible P3 or AFP projects that:

- Result in the construction, renewal or material enhancement of public infrastructure;
- Are procured by provincial, territorial, municipal, or First Nations governments (please note, projects pursued by federal government entities are not eligible); and
- Require public funding support in order to proceed.

The P3CF will provide funding support as described at section 2.0.

1.1 P3 Canada Fund Objectives and Outcomes

The P3CF supports the following over-arching objectives:

- Increasing the pool of capital available for infrastructure renewal.
- Leveraging private sector expertise and capital in support of efficient, innovative and timely infrastructure investments.
- Managing public sector exposure to project risks, including cost overruns.

In parallel and similar to other Building Canada Plan initiatives, the P3CF will also support the following broader government objectives:

- **Fostering economic growth:** Supporting projects that enhance economic competitiveness and productivity.
- **Supporting a cleaner environment:** Supporting projects result in cleaner air, water and land through improved wastewater systems, expanded public transit networks to connect local communities, the development of green energy and better management of solid waste.
- **Promoting stronger communities:** Helping to strengthen Canada's communities through better local roads, increased access to water systems and the redevelopment of brownfield sites.

1.2 What is P3 or AFP procurement?

Typically, an eligible P3 or AFP will be a procurement where a private proponent designs, builds, finances and operates/maintains (DBFO/M) a given infrastructure asset.

The typical role of the private proponent includes the following:

- The private proponent is responsible for all (or almost all) of the infrastructure design and construction.
- The private proponent operates and/or maintains for the asset over a long-term "concession period" (e.g., 20-30 years).
- The private proponent borrows to finance the construction and operation of the asset.

The Sponsor pays the private proponent during the construction period and/or concession period^{**}. Generally, at least 50% of the payments to the private proponent should occur during the concession period. However, as discussed in section 2.1, any funding from the P3CF will be paid during the construction period.

1.3 Administration of the P3 Canada Fund

Implementation and administration of the P3CF is the responsibility of PPP Canada, a federal Crown corporation. A Board of Directors governs PPP Canada and the P3CF, providing strategic policy direction and recommending projects to the federal government for approval.

2.0 Funding Instruments

The P3CF has the flexibility to contribute to projects through various financial instruments (e.g., non-repayable contributions, repayable contributions, loans). The amount of the funding support, in combination with any other direct federal assistance, may not exceed 25% of the project's direct construction costs. The level, form and conditions of any funding support will vary depending on the needs of a given project.

Projects that may pay returns to the Sponsor because of project revenues (e.g., tolling, water charges, land value capture) will merit particular consideration for funding support via a repayable contribution or loan.

2.1 Eligible Costs

Funding support from the P3CF shall be used to pay direct construction costs. The P3CF will support up to 25% of a project's direct construction costs.

P3CF payments will occur during construction (via milestone payments and/or substantial completion payments). Where P3CF payments are made to the Sponsor, it will be the responsibility of the Sponsor to transfer those funds to the private proponent.

PPP Canada will contribute to direct construction costs, as calculated and certified by an independent engineer. Direct construction costs will be calculated in accordance with the final financial model prepared by the private proponent and accepted by the Sponsor.

Recipients will be required to comply with reporting and audit requirements, as specified in any funding agreement.

3.0 Project Submission: Round One Process

All P3CF assistance will be awarded on a project's merits and its satisfaction of the P3CF requirements. Prospective Sponsors are encouraged to follow the process outlined below to direct a project to PPP Canada.

The first stage of the process is **Project Identification**. At this stage, PPP Canada asks provinces/territories to identify possible projects within their jurisdiction that may warrant consideration, given the basic parameters of the P3CF. Project Identification will initiate a

^{**} In some cases, the proponent may also be entitled to direct project revenues.

dialogue about potential projects. Given PPP Canada’s mandate to develop the Canadian P3 / AFP market, the corporation wishes to review a broad range of potential projects.

The second stage is completion of a **Preliminary Submission** by the Sponsor, and **Preliminary Assessment** by PPP Canada. Whether a province/territory should invest the resources to complete a Preliminary Submission will depend on the project’s potential suitability for the P3CF, as determined during the Project Identification stage. The Preliminary Submission deadline for Round One is October 30, 2009.

The third stage is the **development of a P3 / AFP business case** by the Sponsor, and **Comprehensive Assessment** by PPP Canada. The Project Identification stage and the Preliminary Assessment will identify suitable projects before a Sponsor commits the necessary resources to produce a P3 / AFP business case.

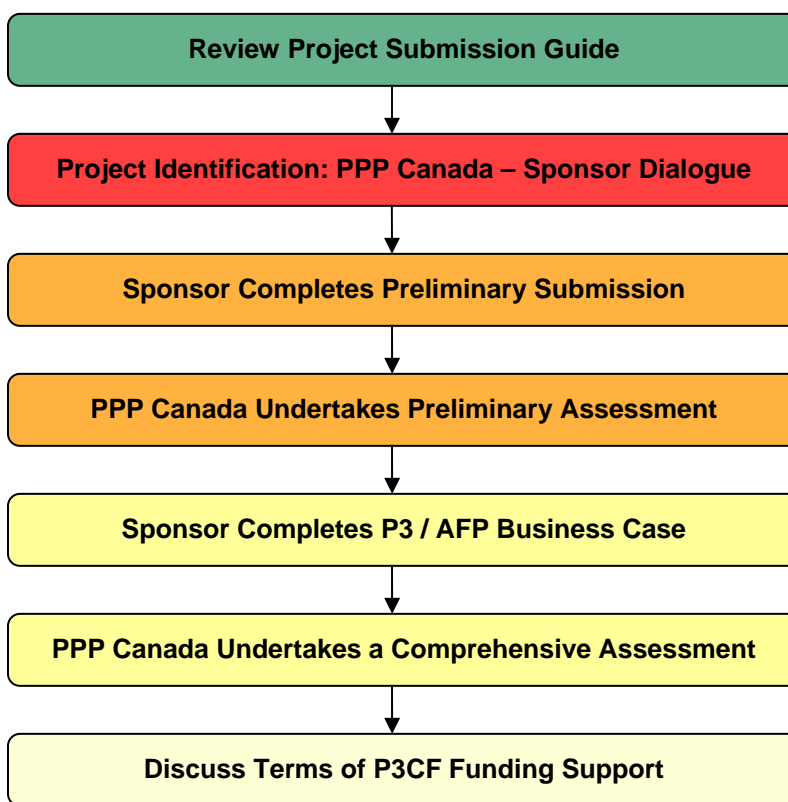


Figure 3.0: Round One Process Chart

3.1 Preliminary Submission template

The Preliminary Submission template (*Appendix A*) is the basis upon which PPP Canada will undertake the Preliminary Assessment of a project. Each completed Preliminary Submission should describe the overall project, set out the need for P3CF assistance, and deliver a high-level indication of the expected public benefits of the asset.

Key elements of the Preliminary Submission template include:

Contact information This section should include the Sponsor's contact information, contact information for the project lead and (if applicable) other key members of the project team.

1. **Project Description** The description of the project should include its location, purpose and (if available) a map of the project's location.
2. **Eligible Project Category** The Sponsor should determine the project's eligible category from *Appendix A, Annex I*, and enumerate the expected public benefits of the asset.
3. **Funding Scope and Overview** This section should provide details on the public funding (*i.e.*, all government commitments) required, including the amount of funding support sought from the P3CF.
4. **P3/AFP Overview** This section asks the Sponsor to enumerate the expected benefits of procuring the asset as a P3 or AFP. This section should identify the proposed role of the private sector in designing, building, financing and operating/maintaining the asset.
5. **Project Timing** This section should provide an overview of the expected procurement and construction schedule for the project.
6. **Potential Sources of Project Information** This section provides a non-exhaustive list of potential documents that could accompany the Sponsor's Preliminary Submission. This list is intended for guidance purposes only and submission of any of the listed documents is not mandatory at this stage.

Sponsors are encouraged to limit their completed Preliminary Submissions to a maximum of ten (10) pages plus accompanying documentation.

3.2 Preliminary Assessment criteria

PPP Canada will review each Preliminary Submission to ensure each project and each Sponsor satisfy the basic eligibility requirements for the P3CF. Specifically, PPP Canada will examine projects as per the following criteria:

Public Benefit

- Enumerate the expected public benefits of the asset (*e.g.*, safer roads, cleaner water, more public transit).

Project Eligibility

- Construction, renewal or material enhancement of public infrastructure
- Satisfies one of the PPP Canada project eligible project categories as set out in *Appendix A, Annex I*
- Sponsor and Recipient satisfy the P3CF eligibility criteria (*i.e.*, provincial, territorial, municipal, or a First Nations government)
- Satisfies the P3CF definition of 'P3' or 'AFP' (see section 1.2)
- Incrementality of the P3CF funding support

Viability as a P3 or AFP

- P3 / AFP suitability (see *Appendix B*)
- Funding commitments from other level(s) of government
- Timing of the procurement
- Impediments (e.g., commercial, environmental) to the project

Potential to Develop the P3 Market

- Will the project develop learning about the application of the P3 or AFP model in the market segment?

PPP Canada will continue to dialogue with Sponsors during the Preliminary Assessments.

3.3 Comprehensive Assessment

Based on the outcome of the Preliminary Assessments, selected projects will be subject to a Comprehensive Assessment (see figure 3.0). The Comprehensive Assessment will require Sponsors to develop a P3 / AFP business case. Consistent with best practices, the P3 / AFP business case will include a value-for-money assessment, market sounding, and description of the proposed procurement process. Currently, PPP Canada is refining the list of requirements for a P3 / AFP business case; it will be shared with each province/territory, in due course.

A recommendation as to the level, form and conditions of any funding support will follow the Comprehensive Assessment (see figure 3.0).

3.4 Other Stages of Round One

Subsequent stages include satisfaction of any conditions (e.g., environmental assessment, Aboriginal consultation), negotiation of a funding agreement and procurement by the Sponsor. As the Round One process advances, the particulars shall become increasingly project-specific and are best addressed in the context of a given project.

Of note, prior to final approval, provincial projects will require a letter of support from the provincial Minister of Finance or the designated Infrastructure Minister; and municipal projects will require a resolution from the municipal government.

Enquiries

All enquiries relating to P3CF submissions should be directed to:

PPP Canada

Attn: P3 Canada Fund, Round One

100 Queen Street, suite 630

Ottawa, ON

K1P 1J9

1-877-947-9480

info@p3canada.ca

Appendix A – Preliminary Submission

Date	
-------------	--

Sponsor	
Project Name:	
Sponsor (procuring government / public authority):	
Contact Information:	

Contact	
Who is the best person to contact in your organization, to obtain further information on the project?	
Contact Information:	

1. Project Description. Describe the proposed infrastructure asset: location, purpose, etc. Please provide a map and/or drawings (if available).

2. Eligible Project Category. List the eligible project category (from Project Submission Guide, [Annex 1](#)). Enumerate the expected public benefits of the asset (*e.g.*, safer roads, cleaner water, more public transit) and any associated studies/research pertaining thereto.

3. Funding Scope and Overview.

What are the estimated construction costs?

What are the total estimated project costs (*i.e.*, construction plus concession period)?

What are the sources of funding (federal, provincial, municipal)?

How confirmed are all sources of funding?

How much funding support is sought from the P3 Canada Fund?

Is there a potential revenue stream (*e.g.*, user-pay) associated with the asset?

4. P3 / AFP Overview.

Appendix B is an indicative list of questions that may help identify if a project is a good candidate for procurement via P3 / AFP.

Describe the proposed role of the private sector in the design, build, finance, and operation/maintenance of the asset?

What is the duration of the concession period?

What is the proposed approach to payments during the construction period and/or the concession period?

What quantum of construction costs (and project costs) would be paid by during the concession period?

5. Project Timing. Provide an overview of the procurement and construction schedule for the project.

Major Activity / Milestone	Date(s)
Procurement Schedule	
Construction Schedule	
Start of infrastructure operations	

6. Potential Sources of Project Information. Below is a non-exhaustive list of documents that could be provided to PPP Canada. This list corresponds with P3 / AFP practices and is intended for guidance purposes only; submission of any of the listed documents is not mandatory at this stage.

At this stage we request you provide as many of the documents outlined below as are available, as well as any other documents that may provide important project information to PPP Canada.

Indicative Sources of Project Information
Procurement
RFEI, RFQ, RFP
Procurement Options Analysis
Procurement Strategy outline
Applicant Team Experience & Org. Chart
Project Governance Structure
Master Plan
PM and Compliance Monitoring Plan
Legal, Policy and Regulatory Considerations; esp. re. P3 / AFP procurement
Financial
Value for Money Assessment, including methodological details
Market Sounding and/or Market Analysis
Financial Analysis
Cost Analyses / Cost Reports
Infrastructure
Preliminary / Indicative Design
Cost vs. Benefit Analyses (e.g., traffic studies, safety reports)
O&M details
Feasibility Study
Environmental Considerations & Strategies
LEED Considerations/Requirements
Status of Permits and Approvals
Communications
Communication Plan - External Stakeholders
Communication Plan - Internal Stakeholders
Performance Measurement/Benchmarking Strategy
Certifications/Letters/Documentation
Notice of Litigation and Conflicts
Environmental Site Assessment/Certification
Archaeological Site Assessment
First Nations consultation
Land Encumbrances/Claims
Municipal Site Condition Report

Annex I – Eligible Project Categories

A) Water Infrastructure

- i) Drinking water treatment infrastructure.
- ii) Drinking water distribution systems.

B) Wastewater Infrastructure

- i) Wastewater collection systems and/or wastewater treatment facilities or systems (which may include grey water reuse).
- ii) Separation of combined sewers and/or combined sewer overflow control, including real-time control and system optimization.
- iii) Separate storm water collection systems and/or storm water treatment facilities or systems.
- iv) Wastewater sludge treatment and management systems.

C) Public Transit Infrastructure

- i) Transit infrastructure including, but not limited to, rail and bus rapid transit systems, and related facilities.
- ii) Buses, rail cars, ferries, para transit vehicles, and other rolling stock and associated infrastructure, for the expansion of services.
- iii) Green buses for expansion services and for replacement capacity.
- iv) Intelligent Transport Systems (ITS) including, but not limited to, fare collection, fleet management, transit priority signalling, and real time traveller information systems at stations and stops.
- v) Related capital infrastructure including, but not limited to, transit queue-jump lanes, reserved bus lanes, turning lanes or other related enhancements in support of public transit, streetcar/trolley infrastructure, storage and maintenance facilities, security enhancement, and transit passenger terminals.

D) Core National Highway System Infrastructure: Construction projects on highways (or ferry services) that form part of the Core National Highway System (NHS), including:

- i) Additional capacity (e.g., turning lanes, truck lanes, grade separations, interchanges, roundabouts, rest areas, etc.) and new urban bypasses that connect to the Core NHS at both ends.
- ii) Rehabilitation of highway and bridge assets. Such projects must meet the definition of ‘rehabilitation’ as agreed upon by the Council of Ministers responsible for Transportation and Highway Safety in 2005.
- iii) Safety-related improvements.
- iv) Intelligent Transportation Systems (ITS) projects.

E) Green Energy Infrastructure

- i) Reinforcement, expansion of existing and construction of new transmission grids to transmit clean electricity.
- ii) Hydrogen infrastructure (generation, distribution and storage).
- iii) Electric Vehicle Infrastructure (centralized refuelling stations).
- iv) Biofuels distribution/storage infrastructure.
- v) Thermal heat/cooling delivery system (i.e., district energy systems) using renewable or combined heat/power (CHP) plants.
- vi) Clean coal facilities.
- vii) Renewable Electricity Generation facilities for municipal consumption (e.g., wind energy, solar energy).
- viii) Municipal building energy retrofits.

F) Disaster Mitigation Infrastructure

- i) Construction, modification or reinforcement of structures that protect from, prevent or mitigate potential physical damage resulting from extreme natural events, and impacts or events related to climate change.
- ii) Modification, reinforcement or relocation of existing public infrastructure to mitigate the effects of and/or improve resiliency to extreme natural events and impacts or events related to climate change. This excludes the relocation of whole communities.

Note: Construction, modification or reinforcement of structures exclude normal routine, maintenance and operational work (e.g., dredging of sediment, gravel removal, debris traps, etc.).

G) Solid Waste Management Infrastructure

- i) Solid waste diversion projects:
 - a) Recycling.
 - b) Composting.
 - c) Anaerobic digestion.
- ii) Solid waste disposal projects:
 - a) Thermal processes, including gasification.
 - b) Landfill gas recovery.

H) Brownfield Redevelopment Infrastructure:

Remediation or decontamination and redevelopment of a brownfield site within municipal boundaries, where the redevelopment includes:

- a) The construction of public infrastructure as identified in the context of any other eligible project category, and/or;
- b) The construction of municipal use public parks and publicly-owned social housing.

D) Culture Infrastructure

- i) Museums.
- ii) Preservation of designated heritage sites.
- iii) Provincial, territorial and local government-owned libraries and archives.
- iv) Facilities for the creation, production and presentation of the arts.
- v) Infrastructure in support of the creation of a cultural precinct within an urban core.

J) Sport Infrastructure

- i) Sport facilities, excluding facilities used primarily by professional athletes.
- ii) Community recreation spaces.
- iii) Fields and parks, fitness trails, bike paths and lanes, playgrounds, and other facilities.

K) Connectivity and Broadband Infrastructure

- i) High-speed backbone.
- ii) Point of presence.
- iii) Local distribution within communities.
- iv) Satellite capacity.

L) Local Road Infrastructure

- i) Additional capacity and rehabilitation of roads within a municipal boundary, and high-occupancy and/or transit vehicle lanes, grade separations, interchange structures, bridges, tunnels, intersections, and roundabouts. Where provinces or territories act as a local government, or where there is a governing entity that is established by a province or territory, such projects are eligible.
- ii) Infrastructure pursuant to compliance with accessibility, such as wheel chair let down.
- iii) Intelligent Transportation Systems (ITS).
- iv) Active transportation projects, including sidewalks, bicycle lanes, pedestrian/bike/multi-use pathways as a component of a larger project.
- v) Rehabilitation of bridges and major elevated or depressed structures (except those on the core National Highway System which are eligible under the National Highway System Category).

Note: Rehabilitation projects must meet the definition of 'rehabilitation' as agreed upon by the Council of Ministers responsible for Transportation and Highway Safety in 2005.

M) Shortline Rail Infrastructure

- i) Construction of industrial branch lines to allow a railway to serve a group of companies (an industrial park), an intermodal yard, a port, or a marine terminal.

- ii) Construction, rehabilitation and/or upgrading of tracks and structures, excluding regular maintenance, to ensure safe travel at speeds deemed acceptable for safe and efficient operations.
- iii) Construction, development or improvement of facilities to improve the interchange of goods between modes.
- iv) Procurement of technology and equipment used to improve the interchange of goods between modes.

Note: Shortline operators must offer year round services.

N) Short Sea Shipping Infrastructure

- i) Specialized marine terminal intermodal facilities or transshipment (marine to marine) facilities.
- ii) Capitalized equipment for loading/unloading required for expansion of short sea shipping.
- iii) Technology and equipment used to improve the interface between the marine mode and the rail/highways modes or to improve integration within the marine mode including Intelligent Transportation Systems (ITS).

Note: For greater clarity, the purchase of vessels, infrastructure that supports passenger-only ferry services, rehabilitation and maintenance of existing facilities such as wharves and docks, and dredging are not eligible for funding.

O) Regional and Local Airport Infrastructure: Construction projects that enhance local and regional airports that are accessible all year-round, through the development, enhancement or rehabilitation of aeronautical and/or non-aeronautical infrastructure:

- a) Aeronautical infrastructure includes, but is not limited to, runways, taxiways, aprons, hangars, lighting, Nav aids, maintenance sheds, airside mobile equipment and associated shelters, air terminal building, and groundside safety-related.
- b) Non-aeronautical infrastructure such as groundside access, inland ports, parking facilities, and commercial and industrial activities.

P) Tourism Infrastructure

- i) Community public attractions.
- ii) Convention or trade centres.
- iii) Exhibition hall-type facilities.

Appendix B: Indicative P3 / AFP Suitability Assessment

PART I: Suitability Assessment

Category	Question	Guidance	Rationale for Line of Questioning
Project Size	1. Is the total project cost likely to exceed \$50 million?	<ul style="list-style-type: none"> Indicate the estimated whole-life cost of the project. Whole-life cost includes capital costs as well as operation and maintenance costs throughout the project's lifecycle Costs should be estimated on the basis of traditional government procurement option See questions 8-10 for guidance on whole-life costing. 	<p>Experience suggests that larger projects – in monetary terms – have broader scope and are likely to be more suitable for P3 / AFP procurement.</p> <p>Larger projects have greater potential to generate the efficiency gains necessary to offset the fixed costs incurred by the public and private sectors during the development and procurement phases.</p> <p>Smaller projects tend to have narrower scope and may be less suitable.</p>
Bundling of Contracts	2. Is there potential to bundle a number of contracts (e.g., asset provision, service) into a single long-term contract?	<ul style="list-style-type: none"> Will the project involve a number of individual service contracts? Examples of service contracts include cleaning, maintenance, support and training. Will the project involve an asset provision contract? 	<p>In many cases, the provision of a service or capability by the public sector is dependent on a number of separate contracts with different contractors.</p> <p>A P3 / AFP procurement provides the opportunity to bundle construction of an asset with related services into a single long-term contract.</p> <p>Combining construction and related service contracts simplifies the government's contract management task and provides incentives for the private sector to design an underlying asset which minimizes operating and maintenance costs.</p>

Category	Question	Guidance	Rationale for Line of Questioning
<p>Project Characteristics</p>	<p>3. Is this project new construction, refurbishment, or both?</p>	<ul style="list-style-type: none"> • Indicate if the project is new construction, refurbishment, or both, and provide an estimate of the relative proportions to the total estimated capital cost. • If the project includes a refurbishment component, does this limit the potential for partnering with the private sector for the operation, maintenance or other aspects of the project? 	<p>Refurbishment projects (typically > 40% of total capital cost) may be poor candidates for the Design-Build-Finance-Maintain (DBFM) or Design-Build-Finance-Operate (DBFO) delivery models as refurbishment projects may leave little scope for private sector participation in operations and maintenance due to the difficulty in delineating where the project “begins and ends” in relation to other assets and services (particularly in accommodation-type projects). In addition, projects involving renovation or rehabilitation have the potential to carry a high degree of latent risk with respect to design, construction and continued performance of existing assets. As a result, refurbishment projects may be less suitable for P3 / AFP procurement due to the following factors:</p> <ul style="list-style-type: none"> • They may be less attractive to the private sector due to their increased uncertainty; • It may be difficult to develop performance based incentives if it is not possible to clearly delineate between the performance of existing assets and new construction; • They provide less opportunity for integration of design, construction and performance resulting in less opportunity for effective risk transfer. <p>Major refurbishments and building expansions may still benefit as Design-Build-Finance (DBF) delivery models (such as a number of hospital projects in Ontario, for example). Exceptions can occur if projects with refurbishment / renovation components are offset with significant new expansion so the project could benefit from a DBFM or DBFO approach.</p>

Category	Question	Guidance	Rationale for Line of Questioning
	4. Describe the extent of integration into existing assets or services?	<ul style="list-style-type: none"> Describe in clear statements the extent of the project's physical integration into existing assets or services. Does this integration limit the potential for partnering with the private sector for the operation, maintenance or other aspects of the project? If so, how? 	<p>In these instances, benefits may be realized through a DBF model and should not be overlooked. However, there are some projects, such as wastewater treatment facility projects that require integration of assets and can be successfully delivered under a DBFO model. Therefore, the nature of the integration should be closely examined when selecting a P3 / AFP approach.</p> <p>Generally, projects requiring a high degree of integration required into existing assets or networks are less likely to be strong candidates for DBFM or DBFO delivery models due to the challenge of developing performance-based incentives where it is difficult to clearly delineate between the performance of existing assets and new construction (for example, an extension to a subway line which is part of a broader network).</p>
Design and Service Output Specifications	5. Will your design or service requirements change over time?	<ul style="list-style-type: none"> If 'yes', explain why and how. Do you believe the anticipated or potential changes in design or service requirements limit the opportunity to deliver the project through a P3 / AFP (i.e., to enter into a long term contract with the private sector)? If so, how? 	<p>Changes to the contract resulting from changes in service requirements during the life of the concession period can be very costly. A key objective of a DBFM or DBFO model is to establish payments for the entire concession period in order to deliver on the originally contemplated project capital, operating and maintenance costs. The project may still realize benefits through a DBF model and should not be overlooked.</p>

Category	Question	Guidance	Rationale for Line of Questioning
	6. Are there any factors that could limit your ability to objectively and independently assess the quality of service being delivered?	<ul style="list-style-type: none"> • Yes or No. If 'yes', explain why. 	<p>At this stage in the planning and development of the project, a Sponsor may not have developed key performance indicators for the project / service, however, it is important to understand whether the quality of service delivered could be objectively assessed. The ability for services to be objectively assessed supports the development of design and service-based output specifications.</p> <p>Payment mechanisms are generally structured around output specifications to provide incentives for achieving Key Performance Indicators. In the event of poor performance that does not meet the performance standards, deductions may be made</p>
Asset and Service Need Duration	7. What is the expected useful life of the asset(s)?	<ul style="list-style-type: none"> • Provide the number of years 	<p>The services derived from the asset must be demanded over the long-term to justify a DBFM or DBFO structure. This is largely due to the fact the projects must achieve a minimum term to: (a) provide sufficient profits to the private sector; (b) transfer lifecycle risk to the private sector; and (c) longer term contracts can improve the marketability of a project as there is typically a preference among financial sponsors of DBFM or DBFO projects for longer investment horizons.</p> <p>Thus, if services cannot reasonably be demanded over the long-term (> 20 years), the project may not be suitable as DBFM or DBFO delivery models. Shorter durations may still realize benefits through a DBF model and should not be overlooked.</p> <p>In addition, assets with an expected useful life of < 20 years may not be suitable as DBFM or DBFO delivery models, but may still realize benefits through a DBF model and should not be overlooked.</p>
Whole-life Costing	8. Describe the expected annual routine maintenance requirements for the asset(s).	<ul style="list-style-type: none"> • Describe the key maintenance activities over the life of the asset. Include annual cost estimates or present value analysis if these have been developed. 	<p>Operating, maintenance, and refurbishment (OMR) costs that are a significant component of overall project cost can benefit from a P3 / AFP approach through longer term risk transfer in order to achieve long-term cost certainty. If OMR costs are relatively insignificant (for example, if the present value of OMR costs are < 20% of the total capital cost), other P3 /</p>

Category	Question	Guidance	Rationale for Line of Questioning
	9. Describe the expected long-term refurbishment requirements for the asset(s).	<ul style="list-style-type: none"> Describe the major refurbishment activities expected in the respective years over the life of the asset. Include cost estimates and present value analysis of each major refurbishment if these have been developed. 	<p>AFP models such as a DBF model that may generate some of the other benefits.</p> <p>Integration of the design, build and service operation can promote whole of life cost savings. These savings are likely to be greater where the project is characterised by a higher operational content, providing incentive for the private sector to achieve whole of life cost savings.</p> <p>Whole-life costing provides budgetary predictability over the life of the asset and reduces the risks of funds being diverted from the project (for example, away from scheduled refurbishment).</p> <p>Consideration should be also given to market precedents.</p>
	10. Are there any factors that would limit the possibility of having the private sector operate and maintain the asset over its useful life.	<ul style="list-style-type: none"> Yes or No. If 'yes', explain why. 	
Innovation	11. Could the private sector have flexibility in the design and construction of the asset(s) in order to meet your design output specifications?	<ul style="list-style-type: none"> Yes or No. If 'no', explain why. 	<p>The potential for achieving innovation in the design and construction of the asset, the delivery of services, or all, is a key reason for considering a P3 / AFP delivery model.</p> <p>P3 / AFP approaches are suitable where it is determined that the private sector partner could for example: (a) be free to determine how to deliver the services to meet the Sponsor's requirements; (b) determine the manner of the design and construction of the asset; (c) provide additional services to the public; or (d) generate third party revenue by delivering the services to the public.</p> <p>Consideration should be also given to market precedents with innovative outcomes.</p>
	12. Are their	<ul style="list-style-type: none"> Yes or No. If 'no', explain why. 	

Category	Question	Guidance	Rationale for Line of Questioning
	opportunities for the private sector to generate third party revenue by delivering ancillary services to the public?		third party revenue, given the absence of commercial motivation. In some instances, private sector providers are motivated to develop opportunities for revenue beyond the government payment stream and this could be used to reduce the cost of services to government.
Risk Allocation	13. Complete the risk allocation matrix provided in PART II.	<ul style="list-style-type: none"> • Go to PART II 	<p>It is important the Sponsor understands all of the key risks of the project, how they will be allocated and why.</p> <p>Risk retained by government in owning and operating infrastructure typically carries substantial, and often unvalued, cost. Allocating some of the risk to a private party which can better manage it at least cost can substantially reduce the overall cost to government. Conversely, if sufficient risk cannot be allocated to the private sector, it is likely that a P3 / AFP approach will not deliver value for money.</p> <p>At this planning stage of the project, we do not expect the Sponsor will have completed a detailed risk assessment (this is typically performed as part of the detailed P3 / AFP business case, including VFM Assessment), however, an indication whether risks can be allocated to the private sector is important in establishing suitability as a P3 / AFP.</p>
Market Capacity / Interest	14. Do you have any reason to believe that there would be insufficient market capacity or interest to deliver this project as a P3 /	<ul style="list-style-type: none"> • Is there reason to believe that the economics or structure of the project would result in no (or very few) interested bidders if this project was delivered as a P3 / AFP? If so, explain. • Is there reason to believe the private sector does not have the 	<p>Market precedents in Canada and other international jurisdictions will be considered in assessing the suitability of a P3 / AFP for the particular project. An existing market for similar projects is likely to improve competitive tension in the bidding process thereby delivering additional VFM.</p> <p>Sponsors should be encouraged to research market precedents and market capacity, including identifying projects with competing schedules that may reduce market capacity.</p>

Category	Question	Guidance	Rationale for Line of Questioning
	AFP?	capacity to deliver the project as a P3 / AFP? If so, explain.	
Management and Operational Capacity	15. Is sufficient organizational and management support available for the project?	<ul style="list-style-type: none"> • Do you have, and/or could you retain, the skills and resources sufficient to define, deliver and support the P3 / AFP procurement? • Is there an identified and accountable project management team to see the project through to final selection and award? 	<p>Proper project management and governance is required for successful execution.</p> <p>Individuals possessing experience with projects of this nature should be available to the project.</p>
Other	16. Are there legislative / regulatory constraints on the inclusion of the private sector?	<ul style="list-style-type: none"> • Yes or No. If 'yes', explain. 	

Part II: Risk Allocation Matrix

The cycle of risk management involves risk identification, assessment, allocation, mitigation, monitoring and review. For the purpose of assessing a project's suitability as a P3 or AFP, an initial allocation and qualitative assessment of key risks is required. The following matrix outlines the typical risks that can be shared or allocated in a P3 or AFP model. For each risk category, provide an initial risk allocation and provide the rationale for risks retained by government.

Risk Category	Risk Retained by Government	Risk Shared	Risk Allocated to Private Sector	Provide the Rationale for Allocation of Risks Retained by Government
Design / Permitting				
Design				
Permits and Approvals				
Construction				
Construction				
Completion / Commissioning				
Operations / Lifecycle				
Demand				
Periodic Maintenance				
Major Refurbishment Maintenance				
Lifecycle				
Operating Cost				
Environmental				
Financing / Commercial				
Construction Financing				
Long-term Financing				
Inflation / Escalation				

List any other key risks that are unique to this project and how the government plans to allocate and mitigate the risk.

Risk Category	Description
Design / Permitting	
Design	The risk that design deficiencies, changes, or both, prevent the asset from being delivered on time and on cost, and prevent the asset from delivering the services at the anticipated cost either immediately, or over time.
Permits and Approvals	The risk that necessary permits / approvals may not be obtained or may be obtained only subject to unanticipated conditions which prevent the asset from being delivered on time and on cost.
Construction	
Construction	The risk that events occur during construction (e.g., availability of commodities, availability of equipment, availability of labour, construction delays, failure to build design, deficiencies in work, occupational health and safety, etc.) which prevent the asset from being delivered on time and on cost.
Completion / Commissioning	The risk that either the physical or the operational commissioning tests which are required to be completed for the provision of services to commence, cannot be successfully completed, which prevent the asset from being delivered on time and on cost.
Operations / Lifecycle	
Demand	The risk that demand for the given infrastructure will be greater or less than projected, possibly leading to greater or less revenues and costs.
Periodic Maintenance	The risk that periodic maintenance of the asset is not adequate to sustain the service requirements. This type of risk increases the probability that the asset under performs, potentially causing increases in other costs, and the residual value depreciates more than if it was properly maintained.
Major Refurbishment Maintenance	The risk that refurbishment maintenance to the asset is not performed when appropriate to sustain the capital value of the asset.
Lifecycle	The risk that life cycle maintenance costs are higher than projected. The risk and associated costs of maintaining the asset in good working order and in a mode of delivery of service or function required.

Risk Category	Description
Operating Cost	The risk that operating costs will be higher than projected due to inflation factor or because of inaccurate estimates and assumptions.
Environmental	The risk that during construction or operations pollution (or any other negative environmental impact) are caused to adjacent land.
Financing / Commercial	
Construction Financing	The risk that when construction financing is required for the project it is not available in the amounts and on the conditions anticipated. This includes interest rate risk exposure.
Long-term Financing	The risk that when long-term financing is required for the project it is not available in the amounts and on the conditions anticipated. This includes interest rate risk exposure.
Inflation / Escalation	The risk that inflation will vary from that originally projected so that operating, maintenance, and refurbishments costs for the project vary from the initial expectations.

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