



PPP Canada



# P3 Business Case Development Guide



**IMPROVING THE DELIVERY OF PUBLIC INFRASTRUCTURE  
THROUGH PUBLIC-PRIVATE PARTNERSHIPS**

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# Introduction to the PPP Canada P3 Business Case Development Guide

## OVERVIEW

PPP Canada has developed this P3 Business Case Development Guide to assist project sponsors who apply to the P3 Canada Fund in developing and submitting comprehensive and robust P3 business cases in support of their funding application.

PPP Canada's requires a P3 business case from applicants that qualitatively and quantitatively assesses a range of infrastructure project delivery models and recommends an optimal model that provides demonstrable public benefit and Value for Money for project stakeholders and taxpayers.

A P3 business case is different than a traditional capital project business case. A traditional capital project business case is focused on assessing the public policy, economic and technical feasibility of a project that is based on programmatic and financial findings from completed project feasibility analyses and other studies. The analysis in a traditional capital project business case is typically a critical input into a P3 business case. A P3 business case goes beyond a traditional business case to undertake is really a procurement options analysis. The intent of a P3 business case is to identify, assess and make a recommendation on the appropriate procurement option that best achieves project objectives and Value for Money. A P3 business case will therefore identify and assess a range of alternative procurement models (i.e., models that are different than the traditional design-bid-build methodology used by governments and public sector organizations) and make a recommendation on an optimal procurement model to be pursued along with a credible plan for implementation.

Project sponsors are encouraged to use the information in this document as a general guide in developing their P3 business cases. It is important for applicants to note that this document is intended to provide guidance in the preparation of a P3 business case. It is not intended to be a definitive manual that exhaustively provides all the analytical requirements of a P3 business case. Project sponsors may need to expand the scope of their P3 business case to support their own project decision-making and/or to satisfy PPP Canada Fund requirements.

## IMPORTANCE OF A P3 BUSINESS CASE

The purpose of a P3 business case is to ensure that the delivery of the project is planned with sufficient detail in order to:

- Minimize the likelihood of problems occurring later in its lifecycle,
- Maximize the likelihood of achieving project objectives, and
- Improve management of risk and its consequences.

A well developed P3 business case is one way for project sponsors to reduce risks such as:

- Selection of an inappropriate or sub-optimal delivery model,
- Cost under-estimation or optimism bias at the outset,
- Unforeseen risks materializing, and/or
- Poor project management during delivery.

A P3 business case is an important tool for project sponsors to use in:

- Ensuring proper project planning and risk assessment,
- Managing timeframe pressures for projects,
- Managing stakeholder and market sentiment, and
- Focusing on value drivers.

The P3 business case is an essential tool for decision-makers to use in determining how best to procure a major infrastructure project.

## HOW TO USE THE P3 BUSINESS CASE DEVELOPMENT GUIDE

This P3 Business Case Development Guide is organized into the following seven sections which are aligned with the P3 business case table of contents provided as Appendix D to the Application Guide for the P3 Canada Fund.

- Section 2.0: Project description and investment decision
- Section 3.0: Procurement decision
- Section 4.0: Value for Money analysis
- Section 5.0: Integrated recommendation
- Section 6.0: Project funding and affordability
- Section 7.0: Procurement strategy
- Section 8.0: Implementation plan

Sponsors should include with their business case submissions a transmittal letter that indicates that the business case has been formally approved by sponsors' leadership/governance body. An executive summary of the business case should be included. The executive summary should summarize the entirety of the business case and describe the recommended procurement option with supporting information regarding its qualitative and quantitative alignment with the project's objectives. Information should be provided that demonstrates the impact of PPP Canada funding and the sponsors commitment and readiness to undertake the transaction.

Each section is prefaced with a statement on the purpose of the section and its relevance to PPP Canada and is further organized into subsections that provide guidance on the content generally expected to be provided for that section. For ease of use, each subsection is structured as follows:

Objective	This element of each sub-section sets out the objectives that are to be achieved with the requested content.
Sources of information	This element of each sub-section provides guidance on where to source the information required to satisfy the content requirements of the sub-section.
In the reviewer's shoes	This element of each sub-section poses questions that provide a mental checklist to assess the completeness and robustness of their content.

## ASSISTANCE IN PREPARING A P3 BUSINESS CASE

Applicants whose projects have successfully been screened in by PPP Canada in the Screening phase will be required to complete a P3 business case for review by PPP Canada. The preparation of a P3 business case is a significant undertaking and PPP Canada staff are available to provide advice and guidance as needed in the preparation and gathering of the required information.

Applicants are also encouraged to retain professional expertise and have access to our Standing Offer list of qualified advisors for P3 projects, which is available at [p3canada.ca](http://p3canada.ca).

Please note that applicants are encouraged to submit their P3 business cases as soon as they are ready.

## SECTION 1.0

# Executive Summary

The purpose of this section of the P3 business case is to:

1. Introduce the reader to the key components of the project by providing a summary of the entirety of the business case; and
2. Describe the recommended procurement option with supporting information regarding its qualitative and quantitative alignment with the project's objectives.

This section of the P3 business case is important because it:

- Frames the project in total for the reader;
- Demonstrates sponsor has completed the necessary analysis that underlies the planning of a P3 procurement knowledge and understanding of the project and the application of the P3 procurement option; and
- Demonstrates experience with, and commitment to, the project that will be undertaken as a P3.

Sponsors should include with their business case submissions a transmittal letter that indicates that the business case has been formally approved by sponsors' leadership/governance body.

Information should be provided that demonstrates the impact of PPP Canada funding and the sponsors commitment and readiness to undertake the transaction.

## SECTION 2.0

# Project description and investment decision

The purpose of this section of the P3 business case is to:

1. Outline the rationale underlying why the sponsor is moving the project forward;
2. Substantiate the planning work that has been completed to support the feasibility of the project, including:
  - a| Scope and nature of the project;
  - b| Defined objectives and expected benefits to be derived from the project;
  - c| Discussion of alternatives to the project, and a clear articulation of the rationale for the preferred investment decision; and
  - d| Community, political and financial support for the project.

This section of the P3 business case is important because it:

- Frames funding eligibility;
- Demonstrates sponsor preparedness, knowledge and understanding of the project;
- Is a critical input in framing the project's suitability for a P3 delivery approach; and
- Demonstrates experience with, and commitment to, the project.

### **STEP 1: Strategic alignment and priority - Articulating the rationale for the project**

#### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Articulate the forces that are driving the need for the project; and
- Identify the strategic policy and business, social and economic issues/drivers; and highlight the project's impact on these issues/drivers through completion and operations

#### **Figure 1: Examples of project drivers**

##### **Project Drivers**

<b>Economic</b>	(e.g., requirements to sustain or attract economic activity and investment)
<b>Fiscal</b>	(e.g., raising revenues, managing risk, mitigating cost)
<b>Technological</b>	(e.g., to address user safety, increase efficiency)
<b>Social</b>	(e.g., change in consumer demands/tastes, change in professional practices)
<b>Environmental</b>	(e.g., reduce environmental impact of government or public activity)
<b>Legislative</b>	(e.g., adhering to a change in law)
<b>Programmatic</b>	(e.g., new or existing public program requires enabling infrastructure)

#### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: environmental scans and analyses, legislative and policy documents and announcements, stakeholder consultations, public studies, media coverage, consumer market and research studies.

**IN THE REVIEWER'S SHOES**

Ask yourself, if this section of your business case answer these questions:

- What is the public interest being served by the project?
- Are the drivers behind the project presented and justified?
- Is a clear rationale for why the project is being proposed articulated and supported?
- Does the project deliver critical public infrastructure, leverage private sector expertise and capital, and help manage public sector exposure to risk?
- Are substantiating sources clearly disclosed and enumerated?

**STEP 2: Summary of needs assessment****OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Assess and explain the community's need for the project in clear and specific terms and provide any supporting documentation that demonstrates that a methodical needs assessment was conducted;
- Describe the need in quantitative and qualitative terms; and
- Include key constraints on the project's development and describe their impact on the decision making with respect to the project.

**SOURCES OF INFORMATION**

Sources of information include, but are not limited to: feasibility analyses, asset management reports, stakeholder consultations, public studies, media coverage, and consumer market research studies.

**IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer these questions:

- Is the need/issue that is being resolved by this project clearly presented and substantiated?
- Is a clear link made between the drivers and needs assessment and the project itself?

**STEP 3: Description of the project sponsor****OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Provide a detailed description of the project sponsor, including its mandate, governance structures, budget and fiscal capacity; leadership; and experience delivering major capital projects and generally used procurement approaches;
- Describe the sponsor's anticipated involvement in the project and any other affiliated public sector entities which it believes will be brought in to the project development process; and
- Clearly state that it has sufficient authority to undertake and make decisions with respect to the project.

**SOURCES OF INFORMATION**

Sources of information include, but are not limited to: corporate documents (e.g., charter, by-laws, etc.), operating and capital budgets, and planning documents.

**IN THE REVIEWERS SHOES**

Ask yourself, does this section of your business case answer these questions:

- Is the applicant for PPP Canada funding the same entity which is putting forward the business case? Are any variations explained?
- Is it clear that the sponsor has sufficient authority to undertake the project and associated procurement process?

## STEP 4: Project description and scope

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Describe and explain the project's key parameters. Specifically, the sponsor should answer the What, Where and When of the project; and
- Clearly relate the project scope to the needs identified in Step 2 above.

### Figure 2: Describing the project and its scope

What	Definition of the project's mandate; scope; scale; functionality; capabilities; indicative cost; studies and planning completed to date; feasibility; economic impact; costing; design; engineering and other technical elements; and physical characteristics.
Where	The location of the project; physical context and any sensitivities; status of environmental approvals; planning or other municipal requirements; land assembly and Duty to Consult requirements.
When	Information on planning horizons; design and construction horizons; operating horizons; and risks to timing (e.g., expiring leases, legislative changes).

### SOURCES OF INFORMATION

Sources of information include, but are not limited to: capital and asset management plans, operating and capital budgets, consultant studies (e.g., geotechnical, archaeological, design, engineering, environmental, impact assessments), planning documents and by-laws, legal site descriptions, Environmental Assessment ("EA") processes, cost studies, functional program studies, Duty to Consult assessment, and stakeholder consultations.

### IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Is an appropriate amount of planning and due diligence demonstrated through this section of the business case?
- Does the description of the project demonstrate credibility and clearly satisfy the project's eligibility for PPP Canada funding?

## STEP 5: Project objectives and benefits

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Disclose general and project specific objectives for the project, including the process used by the sponsor to develop the objectives and go-forward process for measuring the achievement of the objectives;
  - General objectives relate to the sponsors overall policy, political, environmental, economic, social or technological environment. Project-specific objectives relate to the sponsor's desired outcomes from the project only.
- Describe and substantiate the economic, social, environmental, and other benefits related to the achievement of the general and project specific objectives. A process for measuring the benefits should also be disclosed; and
- Where possible, describe the objectives and benefits in both qualitative and quantitative terms.

### SOURCES OF INFORMATION

Sources of information include, but are not limited to: feasibility studies, cost-benefit analyses, Environmental Assessment ("EA") reports, inter-jurisdictional studies, and stakeholder consultations.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Are the general and project specific objectives clearly stated and the process for their development clearly described?
- Are the objectives realistic, achievable and related to the achievement of the general and project specific benefits?
- Has a process for tracking and measuring benefits/impacts/outcomes been provided?
- Are substantiating sources clearly disclosed and enumerated?

## STEP 6: Summary of feasibility study

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Summarize the results of all analysis on the fiscal, financial, economic, legal, technical and environmental feasibility of the project.
  - Feasibility studies should assess the degree to which various features of the project are either sustainable or achieve the objectives desired by the project sponsor. In doing so, they should incorporate, wherever appropriate, consideration of project costs, project revenues, alternative revenue sources, alternative technical solutions, the legal environment in which the project is being implemented, emissions from the project, and other relevant information;
  - Where reference is made to the contents of the feasibility study, appropriate page and section numbers should be included;
- Clearly articulate the financial feasibility of the project, including demonstrating that serious consideration has been given to the project's costs and the sources of revenue to fund and finance the project;
- Summarize the findings of all work done to assess alternative solutions to the project and describe key assumptions, methodologies and findings;
- Disclose the Who, What and When of the feasibility study, The author of the feasibility study, the time period over which it was developed and, where external resources are used, a description of the subject matter expertise of the external resource should be provided. If feasibility studies for the project are significantly dated, a justification for their continued appropriateness and use should be provided;
- Include jurisdictional scans that provide relevant precedents for the proposed project; and
- Disclose and substantiate the public and political support confirmed to date.

### SOURCES OF INFORMATION

Sources of information include, but are not limited to: feasibility studies, cost-benefit analyses, EA reports, jurisdictional studies, stakeholder consultations, resolutions or minutes from governing authority (e.g., council resolution), legal opinions, technical reports (e.g., geotechnical, design, engineering), risk assessments, fiscal analysis, and financial modeling.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Is the case made that the project is fiscally, economically, legally, technically and environmentally feasible? Where feasibility is still to be assessed, is a process for assessing feasibility disclosed?
- Is it clear that alternatives to the project were considered and is the rationale for not pursuing these alternatives clearly articulated and substantiated?

## **STEP 7: Investment decision**

### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Describe the rationale for pursuing the project by summarizing the results of the needs assessment, benefits assessment and feasibility studies;
- Disclose and substantiate political and financial commitments (past, current and future) to the project.

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: resolutions of governing authority, operating and capital budgets, and public announcements.

### **IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer these questions:

- Is the rationale for the investment decision clear?
- Is there clear evidence of political and financial commitment to the project to provide PPP Canada with confidence that the project is a bona fide project?

## SECTION 3.0

# Procurement decision

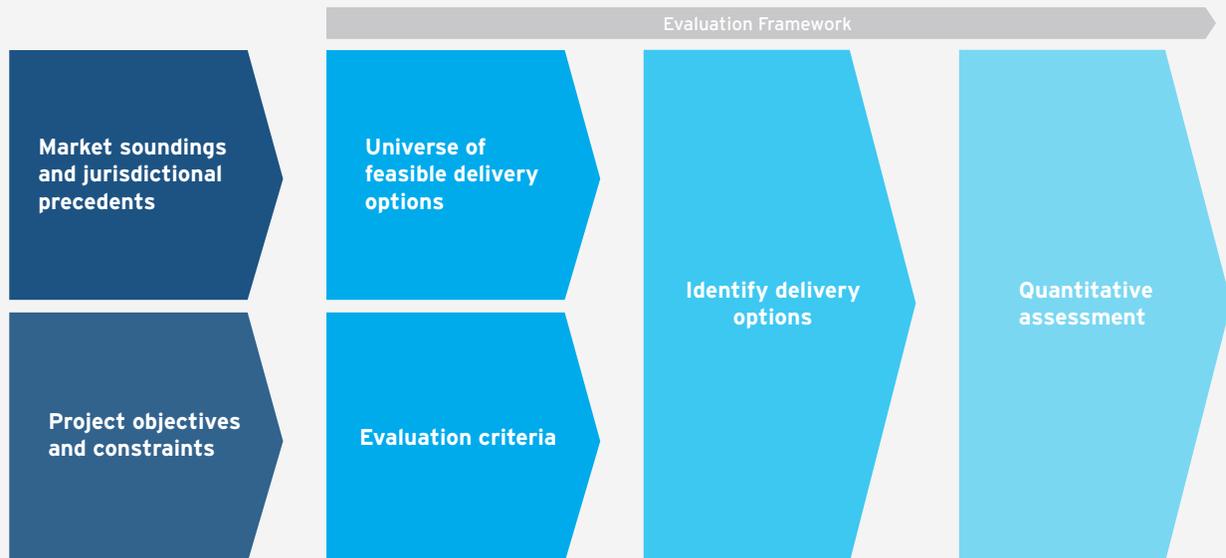
The purpose of this section of the P3 business case is to:

1. Articulate the project sponsor’s procurement objectives, opportunities and constraints;
2. Clearly describe the traditional project delivery model to be considered in the business case;
3. Establish a realistic and “market” range of project delivery models for qualitative assessment by the sponsor and to disclose the criteria upon which the delivery models were short-listed by the sponsor;
4. Describe engagement of P3 market and other stakeholders and present findings from this engagement;
5. Develop robust qualitative evaluation criteria to assess the range of project delivery models; and
6. Identify a short-list of project delivery models to be subject to the quantitative assessment.

This section of the P3 business case is important because it:

- Articulates the criteria on which project delivery options were screened in, including comment on the alignment of the range of project delivery models with the sponsor’s project and procurement objectives, opportunities and constraints;
- Substantiates the market’s interest in the project and the critical elements that will make the project a viable P3; and
- Establishes a shortlist of realistic project delivery models for quantitative assessment.

**FIGURE 3: PROCUREMENT DECISION OVERVIEW**



## ***STEP 1: Procurement objectives and considerations***

### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Articulate its procurement specific objectives and considerations. These objectives and considerations may be related to such matters as project risks, funding, economics, and policy direction; and
- Identify the individuals and describe the process employed (e.g., project scoping workshop) to develop the procurement objectives and considerations.

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: policy documents, procurement directives and guidelines, feasibility studies, risk analysis, technical studies, stakeholder consultations, and project staff.

### **IN THE REVIEWER'S SHOES:**

Ask yourself, does this section of your business case answer these questions:

- Is the rationale for each procurement objective articulated and substantiated?
- Are the individuals involved and the process used to develop the procurement objectives clearly identified and described?

## ***STEP 2: Traditional public sector procurement approach***

### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Describe its traditional procurement approach for the project (e.g., Design-Bid-Build, Design-Build) and disclose how the design, construction, operation and maintenance of the project would be managed and delivered under its traditional procurement approach. (This traditional procurement approach is the Public Sector Comparator against which the P3 model will be compared).

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: sponsor capital projects staff, past sponsor project procurement documentation and case examples, and survey of traditional procurement approaches used by other jurisdictions.

### **IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer these questions:

- Is the traditional procurement approach clearly described with respect to the role of sponsor vis a vis the design, construction, operation and maintenance of the project?
- Are past projects for which this traditional approach was used disclosed and clearly described?

### STEP 3: Public-private partnership models

#### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Articulate why the decision has been taken to explore a P3 and how the project was determined to be a suitable P3 candidate. Such decision should, whenever possible, be linked to project specific objectives and findings from any and all project related studies and relevant P3 screening (see Figure 4 below)

Figure 4: High-level P3 suitability screening criteria

Screening criterion	Relevant consideration(s)
Project size	Is the project's size sufficient to support the P3 costs?
Contract bundling	Is there potential to bundle a number of contracts into a single long term contract?
Nature of the project	Is the project a new build or a refurbishment?
Project integration	Is the project separated or integrated with existing assets or networks?
Consistency	Will the performance requirements and use of the project be relatively stable over time?
Performance Measurement	Can service performance be easily described and measured?
Asset life	Does the asset have an expected useful life greater than 20 years?
Maintenance requirements	Does the project have significant maintenance requirements?
Refurbishment requirements	Is the refurbishment cycle for the project relatively predictable and stable?
Limiting Factors	Are there stakeholders and/or other factors that influence transferability of the project's maintenance and operations
Innovation	Is there scope for innovation in design construction or operations?
Revenue	Is there scope for the private partner to generate additional ancillary revenues?

- Present and describe a range of viable and “marketable” P3 delivery models. It is important to note that while there is a wide spectrum of P3 delivery models that could be used for any project (as shown in Figure 5 below), a sponsor should work with their transaction and financial advisors, and use information from precedent projects identified through any inter-jurisdictional studies, to narrow the options of a commercially acceptable and viable range of P3 delivery models (e.g. 3 or 4 projects).
- Identify any sponsor constraints that would preclude the use of a commercially acceptable and viable project delivery model should be disclosed and discussed in the business case

FIGURE 5: PROJECT DELIVERY MODEL SPECTRUM



## SOURCES OF INFORMATION

Sources of information include, but are not limited to: domestic precedent transactions, jurisdictional scans, and the experience of knowledgeable and reputable transaction and financial advisors.

Sources of information for the jurisdictional scan include, but are not limited to: articles from websites and magazines specializing in infrastructure (such as, for example, Infrastructure Journal, Project Finance and InfraAmericas) or in the project's particular industry.

## IN THE REVIEWER'S SHOES:

Ask yourself, does this section of your business case answer these questions:

- Are the P3 delivery models identified as commercially acceptable and viable substantiated by precedent transactions, inter-jurisdictional studies, or the knowledge and experience of a reputable transaction and financial advisor?
- What transaction structures and procurement strategies have other sponsors used when developing similar projects? How successful were they?

## *STEP 4: Market sounding methodology*

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Outline the sponsor's overall strategy for engaging with market sounding participants;
- Describe the process used to identify market sounding participants and to ensure that selected participants are appropriate, well positioned to have a 'line of sight' on the project's key parameters, and sufficiently varied. A list of market sounding participants should be included;
- Describe the process used to conduct high-quality market soundings, including details about the project related information provided to participants in advance of the meeting, the role of the sponsor during meetings; questions asked; and
- Provide information on the sponsor's plan for follow-up consultations and refreshes.

## SOURCES OF INFORMATION

Sources of information for reputable P3 market participants to include in the market soundings, include, but are not limited to: bidders on precedent transactions, industry publications (e.g., Infrastructure Journal, InfraAmericas, etc.), sponsor's transaction, financial and technical advisors, industry associations (e.g., Canadian Council for Public-Private Partnerships), and government P3 procurement agencies such as Infrastructure Ontario, Partnerships BC, Infrastructure Quebec, Alberta Alternative Capital Financing and PPP Canada Inc.

Sources of information on how to plan and conduct market soundings include, but are not limited to: the sponsor's transaction advisor, internal staff expertise, and government P3 procurement agencies as mentioned above.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Does the list of market sounding participants include a sufficient variety of market participants, i.e. equity providers, constructors, operators, etc?
- Are the selected participants those that are most likely to bid on the project in the future? Are they sufficiently qualified and well positioned to speak about details of the project?
- Have the market sounding process and participants been clearly presented? Is the rationale for who was selected to participate in the market soundings been disclosed?
- Is it clear that market soundings were conducted without prejudice and in a manner that allowed participants to speak freely about their concerns regarding the project?

## STEP 5: Market sounding key findings

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Engage in confidential discussions with P3 sponsors, constructors, operators, and financiers on the viability of the project as a P3, the optimal delivery model and key business, risk and financial terms necessary to attract market interest to the project;
- Clearly articulate how any themes or findings from the market soundings impact the viability of the P3 delivery models identified in Step 3 above.

### Figure 6: Summary of market sounding objectives

<b>1 Obtain an understanding of the marketability of the project</b>	Through discussions related to private sector interest in the various service components and delivery elements.
<b>2 Highlight potential market constraints</b>	Such as, for example, constraints surrounding specialized design capabilities, financing and facilities management elements
<b>3 Identify specific concerns with respect to risk allocation</b>	To determine key concerns from market participants with respect to the project and with respect to private sector appetite for assuming particular risks associated with the project.
<b>4 Begin to prepare the market for the project</b>	By extending the period over which the market can decide whether or not it is interested in the project. This will also help to ensure competitive tension during the transaction process.
<b>5 Estimate or confirm assumptions to be used in the quantitative assessment</b>	These may include financing assumptions and changes to the risk matrix

### SOURCES OF INFORMATION

Sources of information for this section will include notes taken during market sounding meetings by the sponsor (or delegate) staff.

### IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Is the project of significant/clear interest to the market (domestic and international)? Did market participants highlight any particular constraints or opportunities related to the transaction?
- Are the key themes/messages from the market soundings and their impact on the viability of identified P3 delivery models reflected in the business case?

## STEP 6: Qualitative criteria and scoring method

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Develop robust evaluative criteria to assess the traditional and P3 delivery models identified in Steps 2 and 3 above. Criteria are based on project and procurement objectives, policy direction, risk profile, stakeholder considerations, market sounding feedback, and insights from precedent transactions, and cover a range of categories (see Figure 7 below); and
- Develop and implement a clear and defensible assessment methodology for evaluating the project delivery models against the developed evaluation criteria. Elements for consideration in developing the assessment methodology include, among other things, the weighting of criteria, the scoring mechanism and process, evaluation approach (e.g., use of a evaluative panel versus judgment of experts), stand alone versus relative scoring, etc.

FIGURE 7: SOURCING EVALUATIVE CRITERIA



### SOURCES OF INFORMATION

Sources of information include, but are not limited to: reports from project workshops, market soundings, cost-benefit analyses, economic impact studies, inter-jurisdictional studies, EA reports, stakeholder consultations, and members of the project team and external advisors.

### IN THE REVIEWER'S SHOES:

Ask yourself, does this section of your business case answer these questions:

- Are the evaluative criteria clearly linked to relevant project considerations and factors? Particularly, do the evaluative criteria consider the feedback received from the market soundings?
- Is the assessment methodology clearly articulated and the rationale for the components of the methodology justified?

## STEP 7: Results and recommended P3 models for quantitative analysis

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Use its evaluative criteria and assessment methodology to assess the delivery models under consideration;
- Clearly and compellingly present the rationale for any and all scoring and/or ranking of delivery, including comment on the alignment of the project delivery models with the sponsor’s objectives and known constraints; and
- Provide a short-list of project delivery models for quantitative analysis with graphically descriptions of the delivery structures. An example of such a graphic representation is provided in Figure 8 below.

### SOURCES OF INFORMATION

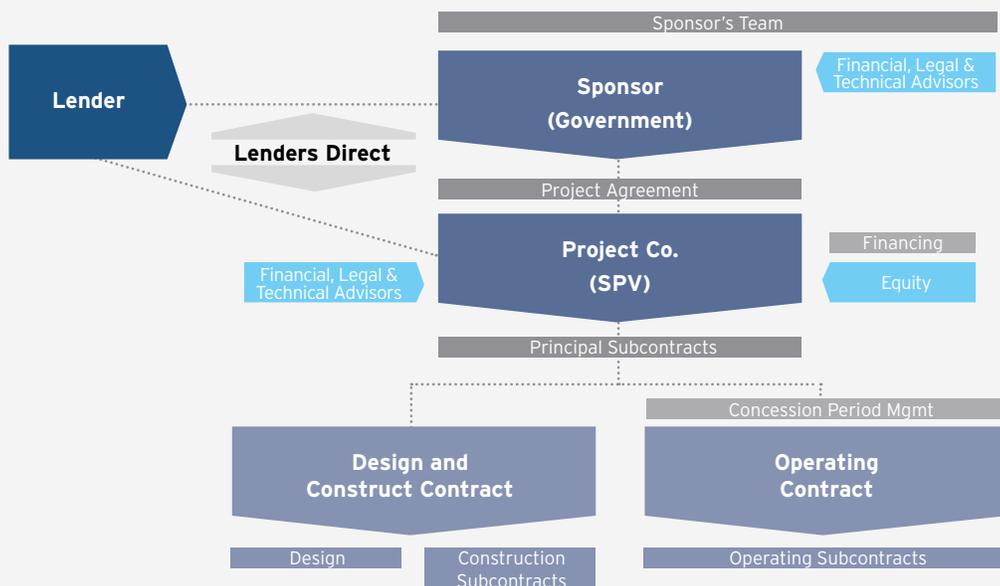
Sources of information include, but are not limited to: policy direction, market sounding reports, planning documents, feasibility studies, project workshop notes, inter-jurisdictional studies, precedent transactions, stakeholder input including input from project and sponsor management, technical reports, legal opinions, and consultant reports.

### IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Was the full range of possible delivery options evaluated?
- Is the sponsor clear with respect to the rationale for why each delivery model meets or does not meet the stated evaluative criterion?
- Is it apparent that each delivery model, including traditional delivery, was given due and fair consideration?
- Are the qualitative statements rational and logical and linked to evidence?
- Is it clearly articulated why the short-listed options are preferred to others based on the qualitative analysis? Are the short-listed options presented pictorially for the reader to understand the key differences in transaction structure?

FIGURE 8: ILLUSTRATIVE DBFOM TRANSACTION STRUCTURE DIAGRAM



## SECTION 4.0

# Value for Money analysis

The purpose of this section of the business case is to:

1. Construct robust financial models for the project based on the best available cost estimates and capital markets information. Two cash-flow based models are constructed for this element of the P3 business case:
  - a| The first cash-flow model models the cost of the project on the basis that it is developed and financed by the sponsor under the traditional approach used by the sponsor to deliver such projects (usually Design-Bid-Build). This is known as the Public Sector Comparator, or “PSC”;
  - b| The second cash-flow model models the cost of the project on the basis that it is developed by the private sector for the sponsor. This is known as the “Shadow Bid”. There may be more than one version of the Shadow Bid depending on the number of P3 project delivery models still under consideration at this stage of the business case;
    - The sponsor should provide PPP Canada with an accessible, usable financial model for analysis. Financial models should be designed to be highly flexible and should include functionality that allows PPP Canada to see the impact of varying its financial contribution to the project.
2. Undertake a focused quantitative risk assessment of the project and allocate these risks between the sponsor and a private partner in a commercially prudent manner for each short-listed project delivery model identified in Section 3.0 of the business case; and
3. Adjust the net present costs of both the PSC and Shadow Bid to reflect how risks are allocated between the sponsor and the private partner for each short-listed delivery model. The difference in the risk adjusted net present cost between the PSC and the Shadow Bid(s) is what is known as the Value for Money (“VFM”) assessment.

This section of the P3 business case is important because it:

- Provides a clear description of the risk allocation model and the quantitative benefits brought to the sponsor from this risk allocation model; and
- Demonstrates that the sponsor understands the project risks and has thoroughly considered the risk transfer benefits and financial costs associated with executing the project as a P3.

### **STEP 1: Describe the Value for Money methodology**

#### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Clearly describe the Value for Money methodology to be used to conduct its VFM analysis. Government bodies, agencies and departments in BC, AB, ON and QC should develop VfM analysis in accordance with the established provincial methodologies in their respective jurisdictions. Other jurisdictions can consult PPP Canada on methodologies. Any departures from existing methodologies should be justified and explained. It is PPP Canada’s expectation that, where available, VFM methodologies that are local to the project sponsor will be used; and
- Select a VFM methodology that yields the highest degree of transparency and can withstand public scrutiny.

#### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: Canadian and international P3 agencies and reputable and experienced financial advisors.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Is the selected VFM methodology consistent with Canadian and/or international best practices?
- Have any deviations from the selected VFM methodology been clearly disclosed and justified?

## STEP 2: Project costs

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Present base project costs for both the PSC and the Shadow Bid on a whole of life basis, which include the expected hard construction costs, soft construction costs, facilities management costs, maintenance and/or operating costs (“O&M Costs”) and lifecycle costs. (Base costs are typically assumed to be the same for both the PSC and the Shadow Bid.);
- Outline and justify any efficiency gains and risk premiums applied to the Shadow Bid and PSC. Any major differences in efficiency gains and risk premium assumptions should be justified. (In certain cases, private sector efficiencies (or negative efficiencies) can be assumed exclusively for the Shadow Bid. Any assumptions to this effect should be clearly disclosed and justified by the sponsor);
- Outline the ancillary costs to be incurred by the public sector under both the P3 and traditional scenarios. Ancillary costs are only those costs borne by the public sector related to up-front procurement costs (including fees to any procurement agency); procurement costs over the O&M (in the case of the PSC); legal, technical, and financial advisory fees; project management costs during construction; and contract management costs over the life of the project); and
- Identify and explain the timing of these costs.

### SOURCES OF INFORMATION

Project costs should be provided by a qualified Quantity Surveyor (Cost Consultant). Operations and maintenance costs can come from current operations and/or in some instances, an experienced facilities management consultant can be used to estimate the O&M costs for the project. These costs should be based on a functional program or preliminary design for the project.

Ancillary and private sector financing costs are best obtained from transaction and financial advisors experienced in advising on P3 projects.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer these questions:

- Off what base have costs been derived? (e.g., schematic designs, output specifications, other).
- Are cost information sources disclosed? Is the level of precision of the cost estimates and the associated impact on the financial models discussed?
- Are all base and ancillary cost categories accounted for?
- Is the timing of cash outflows typical for (where relevant) the PSC and the Shadow Bid?
- Are deviations from expected differences between the PSC and Shadow Bid base and ancillary costs clearly explained?

## STEP 3: Financial assumptions

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Use costing information described in Step 2 as the basis for the PSC and Shadow Bid cash-flow models; and
- Clearly articulate all key modeling assumptions that have been incorporated in to the models. Such assumptions include, but are not limited to: inflation, construction escalation, discount rates and timing of cash inflows and outflows.

## SOURCES OF INFORMATION

Sources of information include, but are not limited to: engineering and technical studies conducted for the project, financial market soundings, economic reports, sponsor financial advisors, and input from stakeholders and project managers.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- Is the list of modeling assumptions comprehensive?
- Are the assumptions justified and from credible sources?

## STEP 4: Project financing assumptions

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Outline the assumptions made with respect to the financing of the project under both the PSC and the Shadow Bid; and
- Clearly outline any assumptions with respect to the level and timing of public and private sector financing, including assumptions on public sector capital injections during the construction of the project (e.g., milestone payments) and at substantial completion (substantial completion payment). Any assumptions on public sector capital injections should not include PPP Canada funding.

### Figure 9: Illustrative project financing assumptions

Private Sector Financing (Shadow Bid)	Public Sector Financing (PSC)
<b>Financing Structure</b>	<b>Financing Structure</b>
Bond or bank financing	Timing of borrowing
Timing of debt draws	Tenor and repayment frequency
Debt to equity ratio	
Timing of equity injection	
Debt service coverage ratio	
<b>Financing Costs</b>	<b>Financing Costs</b>
Base interest rate	Base interest rate
Credit spread	Credit spread
Required return on equity	Borrowing fees
Reserve account requirements	Costs payable at financial close
Upfront fees	
Standby fees	
Costs payable at financial close	

## SOURCES OF INFORMATION

Sources of information include, but are not limited to: market sounding reports, data from financial models from proposals submitted for recent comparable projects (within last 6 months), input from the sponsor's finance department, credit rating agency reports, industry publications, and sponsor's transaction and financial advisors.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- Are all key financial assumptions outlined?
- Are the financial assumptions for the Shadow Bid relevant to the chosen financing structure?
- Are the inputs based on sound research and/or input? Are they reflective of current market conditions?

## Step 5: Risk analysis and quantification

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Systematically identify and quantitatively assess project risks (see Figure 10 for an illustrative list of project risks) and allocate these risks between the sponsor and the private sector partner for the delivery models under consideration;
- Outline the process and methodology used to identify, assess and allocate project risks;
- Provide a robust description of the risk profile of the project and the allocation of key risks between the public sector and the private sector, the rationale underlying the allocation, and summary tables showing the value of the risks retained and transferred under both the PSC and Shadow Bid (see Figure 11). The description of the project's risk profile should discuss the underlying structure of the risks (e.g., are there a few big risks or a series of smaller risks that sum to a significant risk exposure) and relate back to the sponsor's risk management objectives;
- Describe the type of statistical analysis used to arrive at the distribution of impacts for each risk. The sponsor should disclose any adjustments made for optimism biases, competitive neutrality and other factors that may be relevant to the accuracy of the VFM; and
- Where qualitative risk workshops were used to further define the risks, list the participants in the workshop, describe the workshop methodology, and highlight the main points of discussion.

**Figure 10: Illustrative risk categories**

#### Sample Risk Categories

Policy and Strategic Risks	Permitting and Approvals Risks
Design and Tender Risks	Completion and Commissioning Risks
Procurement Risks	Lifecycle and Residual Risk
Site Conditions and Environmental Risks	Operations and Maintenance Risks
Construction Risks	Contractual Risks
Equipment Risks	Financial Risks

**Figure 11: Sample summary risk quantification table**

Risk category	Retained Risk	Transferred Risk
Risk category 1 (e.g. Construction risk)	\$xM	\$xM
Risk category 2	\$xM	\$xM
Risk category 3	\$xM	\$xM
Risk category 4	\$xM	\$xM
Risk category 5	\$xM	\$xM
Risk category 6	\$xM	\$xM
Risk category 7	\$xM	\$xM

### SOURCES OF INFORMATION

Sources of information include, but are not limited to: input from the sponsor's project team including technical, engineering, financial and transaction advisors, risk registers and project risk data held by procurement agencies or external advisors, discussion notes from risk workshops that may have been conducted.

### IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- Did the process used to identify, quantitatively assess, and allocate project risks reflect best practices and include the expertise necessary to conduct such an exercise effectively?
- Is the rationale underlying the risk allocation clear? Is it linked to discussions had during market soundings, jurisdictional analyses or the sponsors project and procurement objectives?
- Has appropriate professional expertise (technical, legal, financial) been consulted? (PPP Canada's expectation is that expertise will have been consulted and involved in the project).
- Is the risk allocation appropriate for the project delivery model and commercially reasonable?

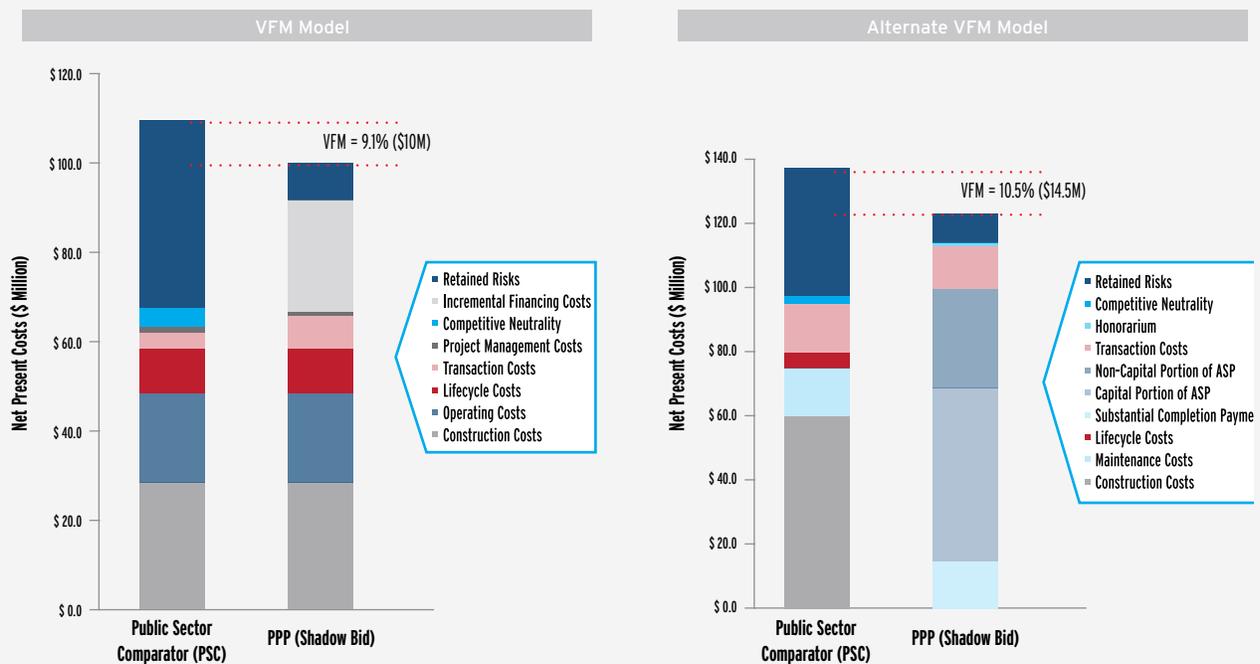
### STEP 6: Preliminary Value for Money assessment

#### OBJECTIVE

In this part of the P3 business case, the sponsor should:

- Overlay the quantitative risk analysis over the cash flow models to arrive at risk adjusted net present costs of the PSC and Shadow Bid (see Figure 12 for illustrative VFM comparison of the PSC and Shadow Bid);
- Clearly disclose the discount rate used to calculate the net present costs and the methodology for determining the discount rate;
- Undertake a sensitivity analysis of the VFM results to assess how changes in certain variables affect the VFM achieved by the project. A high and low-end VFM assessment should be presented;
- Benchmark the VFM for its project to the VFM generated by similar projects using similar transaction structures; and
- Outline the points during project execution when the VFM analysis will be updated.

FIGURE 12: ILLUSTRATIVE VFM RESULTS



Note: The above charts have been presented for illustrative purposes only. The relative size of the individual components making up the chart can change significantly across different VFM methodologies

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- Is the methodology and rationale for the selection of the discount rate clearly presented? Is the relationship between the discount rate and the sponsor's cost of funds discussed, particularly where the discount rate is different from the sponsor's costs of funds?
- Is the VFM model structurally and mathematically sound?
- Is the VFM analysis conducted without bias? Is it consistent with the assumptions and inputs outlined above?
- Are the sensitivity variables identified and the rationale for their selection articulated? Has a sufficiently robust sensitivity analysis been conducted? What do the results of the sensitivity analysis mean for the project's ability to achieve meaningful VFM if pursued as a P3?
- Is the VFM presented consistent with comparable projects that have been executed using similar transaction structures? Are variations clearly explained?

**Figure 13: VFM sensitivity analysis variables**

Variable	Current VFM	Low	Medium	High
Private financing rate (bps spread)	275	200	290	375
Inflation (annual operations period)	2%	1%	2%	4%
Debt to equity ratio	88/12	90/10	80/20	70/30
Required equity return	13.50%	12.50%	14.00%	15%
Discount rate	5.50%	6.50%	5.50%	4.50%
Substantial completion payment amount	\$xM	\$xM	\$xM	\$xM
Estimated VFM	\$xM x%	\$xM x%	\$xM x%	\$xM x%

## SECTION 5.0

# Integrated recommendation

The purpose of this section of the business case is to:

1. Bring together the qualitative analysis conducted in Section 3.0 with the quantitative analysis conducted in Section 4.0 in order to identify the optimal delivery methodology to be used to procure the project.

Some jurisdictions have well documented methodology of integrating the qualitative and quantitative analysis together such as British Columbia and the Multiple Criteria Analysis approach. A review of this approach may be helpful to some jurisdictions.

This section of the P3 business case is important because it:

- Summarizes the critical rationale underlying the sponsor's selected project delivery model; and
- Demonstrates the relative weight given by the sponsor to various evaluation criteria.

### ***STEP 1: Recommended procurement option***

#### **OBJECTIVE**

In this part of the P3 business case, sponsors should:

- Review the results of their qualitative and quantitative analysis to determine if the results of the VFM has had any impact on the delivery models that were assessed and/or ranked in Section 3.0. Ideally, the top ranked short-listed delivery model will also have the greatest VFM. However, there may be discrepancies between the qualitative and quantitative assessments arising from; for example, legislative and legal hurdles associated with the procurement options. In these cases, the sponsor should reassess the delivery models against the evaluative criteria, particularly qualitative ones, when arriving to a recommendation. A sponsor should also ensure that there is no-double counting of the qualitative and quantitative expected benefits of the project, i.e. if benefits associated with an option have been integrated into the quantitative analysis, this benefit should not be double counted qualitatively;
- If the project delivery models are reassessed from a qualitative perspective, disclose the process for doing so and the revised scoring along with the rationale for any and all adjustments; and
- Clearly identify qualitative factors such as early delivery and the associated beneficial outcomes, influence of private sector operating practices, improvements in public sector procurement. This could be furthered with a multi-criteria analysis approach;
- Based on the revised qualitative analysis and the VFM assessment, provide a recommended procurement option (i.e., traditional procurement or a specific P3 procurement model). The sponsor should: (i) make clear the relative importance that the qualitative and the quantitative analysis had in arriving at the recommended procurement option; and (ii) state the expected benefits of the recommended options.

#### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: policy direction, market sounding reports, planning documents, feasibility studies, project workshop notes, inter-jurisdictional studies, precedent transactions, stakeholder consultations, technical reports, legal opinions, and consultant reports.

#### **IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer the following questions:

- Is there a clear qualitative and quantitative result pointing to an optimal project delivery model? Where a result is not clear, is the rationale for the recommended procurement option rationally argued and justified?
- Is the process and information used to achieve this result defensible and repeatable?

## SECTION 6.0

# Project funding and affordability

The purpose of this section of the P3 business case is to:

1. Demonstrate the sponsor's financial preparedness to undertake the project; and
2. List the sources of funds being made available for the project and their uses.

This section of the P3 business case is important because it:

- Demonstrates how PPP Canada funding will add incremental value to the project; and
- Shows the sponsor is financially capable of undertaking the long term commitments associated with P3 contracts.

### *STEP 1: Sources of funds*

#### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Clearly describe the sources of funds committed and/or available to the project, including a description of the specific nature, structure, and timing of the funds to be provided. All sources and amounts of federal funding should be clearly disclosed;
- Outline any terms and conditions precedent associated with any funding source or funding commitments; and
- Ensure that any and all funding sources identified in this section of the business case should be reflected in the cash-flow models presented in Section 4.0, with the exception of the requested PPP Canada Fund contribution.

#### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: sponsor approved budgets, funding commitment letters provided from federal, provincial, municipal, or other authorities, and commitments from donors and other grant providers.

#### **IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer the following questions:

- Are the identified funding sources or commitments firm?
- Have all federal funding sources and commitments been disclosed?
- Are the terms associated with the funding commitments dependent on other sources of funding?
- Has the impact of funding commitments from other public sources been incorporated in the Value for Money analysis?
- Where sources of funds are expected to be made available in the future (for example, through future tax revenues), are the projections and assumptions underlying their availability clearly stated and reasonable?

## STEP 2: Uses of funds

### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Outline how each of the sources of funds listed above is used (see Figure 14 below), including a description of the timelines over which these funds are utilized. The funding should be provided in nominal terms.
- Demonstrate that the uses of these funds do not violate any terms associated with their provision, particularly funding requested from PPP Canada Inc.;
- Describe how the timing of the uses of funds impacts the Value for Money generated by the project, including O&M over the concession period and lifecycle costs; and
- State where in the financial model these funding sources/commitments appear.

**Figure 14: Sample sources and uses of funds table**

#### Sources of funds at substantial completion and through operations (\$ M - Nominal )

Sources		
City, Province, etc:	xx	xx%
PPP Canada	xx	xx%
Private Sector Financing	xx	xx%
Fundraising	xx	xx%
User Fees	xx	xx%
<b>Total Sources</b>	<b>xx</b>	<b>100%</b>

#### Uses of funds at substantial completion and through operations (\$ M - Nominal )

Uses		
Total capital costs (broken down according to soft costs and construction costs)	xx	xx%
Interest During Construction	xx	xx%
Debt Service Reserve Account pre-fund	xx	xx%
Transaction costs and fees	xx	xx%
O&M costs	xx	xx%
<b>Total Uses</b>	<b>xx</b>	<b>100%</b>

### SOURCES OF INFORMATION

Sources of information include, but are not limited to: reports from sponsor finance staff, project financial models, draft or signed funding agreements, and sensitivity analysis created by financial advisors.

### IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- Are the uses of funds of clearly identified? Is it clear that their use as described does not violate any of the terms associated with their provision?
- Are funds utilized in a manner that maximizes Value for Money?
- Do the uses of funds, as described, align themselves with the description of projects costs in the previous sections? Consideration should be given to whether the costs are "Eligible costs" under the P3 Canada Fund. PPP Canada is developing guidance for applicants related to "Eligible Costs" under the P3 Canada Fund Terms and Conditions.

### ***STEP 3: Affordability and incrementality of P3 Canada Fund investment***

#### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Bring together the project's sources and uses of funds and identify any gap in the project's funding;
- Discuss the incremental benefit that a PPP Canada Fund investment would bring to the project's viability and sustainability;
- Set the base case scenario from which additional negotiations between the sponsor and PPP Canada regarding the size, structure and nature of its funding commitment can be conducted;
- Where a funding gap is not fully eliminated through a PPP Canada Fund investment, describe the measures being put into place to address the funding gap; and
- Conduct a sensitivity analysis on the affordability analysis. The sensitivity analysis could be conducted on sponsor or project revenues, interest rates, inflation, among other variables. The sponsor may consult with PPP Canada to determine the parameters of any sensitivity analysis on affordability.

#### **SOURCES OF INFORMATION**

Information for this section will be from previous sections of the business case.

#### **IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer the following questions:

- Is the sponsor's plan to meet the ongoing commitments associated with the P3 project tangible, committed and sustainable?
- Where commitments and measures are to be enacted in the future, has the sponsor demonstrated its ability to execute its plans?
- Has the sponsor clearly demonstrated the incremental impact of PPP Canada funding? Is it apparent that the project would not be sustainable as a P3 without such funding?
- What would happen to the project without PPP Canada funding? Financial models provided to PPP Canada in this respect should include sufficient functionality to allow for variations in PPP Canada's contribution to the project.

## SECTION 7.0

# Procurement strategy

The purpose of this section of the P3 business case is to:

1. Articulate the sponsor's policy and process framework for establishing an accessible, fair and competitive environment to secure a private sector partner for the project;
2. Define the human and financial resources to be dedicated to the execution of the procurement;
3. Develop a governance framework to oversee the procurement; and
4. Provide the project team with high-level guidance and overall direction on next steps.

This section of the P3 business case is important because it:

- Helps to understand the degree to which the sponsor has planned ahead for the execution of the project;
- Helps to ensure that the sponsor has laid an appropriate legal and policy framework for the procurement;
- Gives PPP Canada clarity on the project's future direction and anticipated key milestones; and
- Allows PPP Canada to lend its procurement expertise to the project in order to ensure that it is procured according to best P3 procurement practices.

FIGURE 15: KEY COMPONENTS OF A PROCUREMENT STRATEGY



### STEP 1: Recommended procurement process

#### OBJECTIVE

In the part of the P3 business case, the project sponsor should:

- Outline and assess the procurement options considered for the P3 project and present a recommended procurement strategy (e.g., RFQ and RFP);
- Describe the plan to pre-market the project to maximize competitive tension in the marketplace;
- Set out at a high-level the evaluative procedures (e.g., affordability thresholds, scope ladders, innovations) to be used to select the preferred private partner and how these factors may impact Value for Money;
- Note the timing of any VFM refreshes to take place through the procurement process; and
- Present a high-level timeline for the procurement of the project with major milestones and accountabilities identified.

#### SOURCES OF INFORMATION

Sources of information include, but are not limited to: laws, policies and resolutions passed by the sponsor's governing body, input from market soundings and jurisdictional scans, input from sponsor's financial and transaction advisors, and assessment of local and regional deal pipelines.

**IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer the following questions:

- Is a clearly defined procurement process presented and the rationale articulated?
- Is the procurement process consistent with Canadian P3 best practices?
- Where amendment to the sponsor's procurement policies is required, is the process to achieve the amendment set out?
- Is a reasonable timeframe presented for the execution of the preferred procurement process?

**STEP 2: Policy and procurement framework****OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Clearly present legislative and policy authorities to undertake a P3 procurement as well as any authorities to be delegated to the project team to enable the successful implementation of a P3 procurement;
- Clearly lay out the hierarchy for project decision-making and the authorities vested at each level of the hierarchy; and
- In the event that legislative or policy authorities are still required to be put into place to enable a P3 procurement, set out the process and timelines for achieving these authorities.

**SOURCES OF INFORMATION**

Sources of information include, but are not limited to: legislative and policy statements made by the sponsor's governing body; statements or official documents from the sponsor's leadership delegating sufficient authority to members of the project team.

**IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer the following questions:

- Are there any impediments to the implementation of an effective P3 process? What measures are being taken to address these impediments?
- Do the right individuals and/or departments have sufficient authority to execute the requirements of a P3 transaction?

**STEP 3: Project team****OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Present the resourcing requirements and commitments necessary to properly execute the P3 procurement and any approvals acknowledging these requirements and commitments.
- Define the roles and responsibilities of individual members of the project team and outline the rationale for their inclusion. In particular, the sponsor should define the roles and responsibilities of the project manager, internal and external advisors, communications director and sponsor staff members. Where external advisors are to be used, the sponsor should provide a high-level description of the procurement approach to be used to retain this expertise.
- Briefly explain each member's qualifications and the authority delegated to them in order to undertake their role. For internal team members, full names, biographical information and anticipated time commitment to the project should be provided.
- Outline the sponsor's approach to ensuring appropriate contingency and transition planning. In particular, a description of the involvement on the project team of the eventual contract manager/operations manager should be provided.
- Identify resourcing constraints and mitigation measures.

### IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- Is a well structured and resourced project team presented? Are there dedicated resources assigned to the P3 project? Are these dedicated resources sufficiently qualified to undertake their role through the planning, procurement, design, construction and operating periods of the project?
- Are the members of the project team and their roles and responsibilities clearly defined?
- Has the sponsor clearly articulated its understanding of the resourcing commitments associated with P3 procurement? Is there funding or other approvals in place to support the project team?
- Are resourcing constraints addressed in a manner that demonstrates foresight and adequate planning on behalf of the sponsor?
- Are external advisors going to be used? If so, how will they be used? How will they be procured?

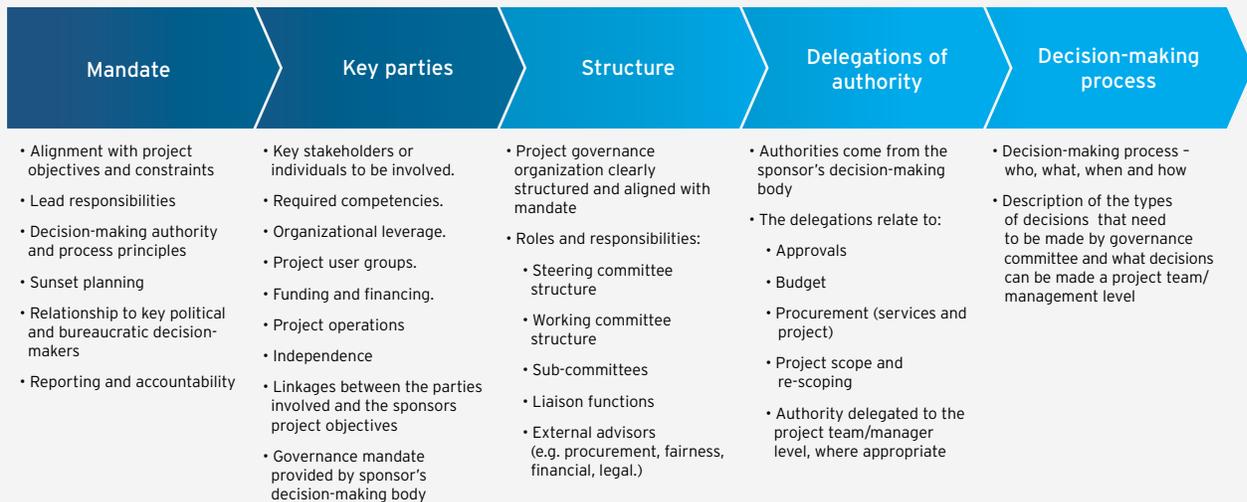
### STEP 4: Project governance structure

#### OBJECTIVE

In this part of the P3 business case, the project sponsor should:

- Outline their governance structure for the P3 project. Generally, in a P3 project, the project team is supported by a governance committee that steers strategic elements of the project and makes decisions on matters not delegated to the project team; and
- In developing a robust P3 project governance structure, consider the five elements in Figure 16 below.

**FIGURE 16: ELEMENTS OF A P3 PROJECT GOVERNANCE STRUCTURE**



#### SOURCES OF INFORMATION

Information for this section will be based on discussions with project leaders, senior management and political leadership.

## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- What is the mandate and structure of project governance?
- Who is to be involved with overseeing the project? How are the various committees organized?
- What are the decision making processes to be used? Do the various bodies have sufficient authority delegated to them in order to fulfill their roles? Is the role of political and administrative authorities clearly spelled out?
- Has the team responsible for conducting contract negotiations been clearly identified?
- What are the key features of the governance structure that will help to ensure that it is an effective body to move the project forward?
- Are sufficient accountability and feedback processes included to ensure accountability and smooth project implementation?

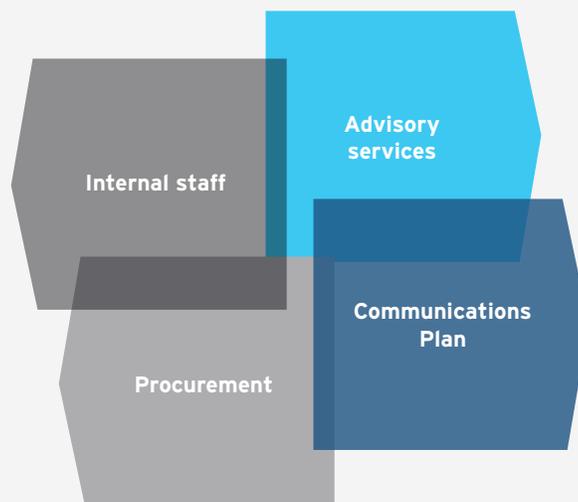
## STEP 5: Project resourcing and budget

### OBJECTIVE

In this section of the business case, the project sponsor should:

- Identify the person that developed the project budget and their ongoing responsibilities with respect to ensuring that budgets are met and tracked;
- Describe what resourcing plan and budget have been approved for moving the project through the planning, procurement and post-procurement phases; and
- Ensure that the resourcing plan demonstrates the time commitment required of governance and project team members, the training required to assist team members in effectively executing their responsibilities, and the budget associated to fund time and training commitments.

FIGURE 17: KEY ITEMS TO BE INCLUDED IN THE PROJECT'S RESOURCING PLAN AND BUDGET



## IN THE REVIEWER'S SHOES

Ask yourself, does this section of your business case answer the following questions:

- Is a resourcing plan and budget available to support the P3 project? Has the resourcing plan and budget been approved by the appropriate approval authority?
- Does the resourcing plan and budget fully consider the internal staff and external professional expertise that will be required to deliver the P3 project? Have the resourcing and budgetary requirements of project procurement and communications been fully considered and accounted for?
- Are the resourcing schedules and budgets presented consistent with those used for the VFM analysis?

## **STEP 6: Key documents**

### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- List of the key transaction documents (e.g., RFQ, RFP, Project Agreement) that are to be used through the procurement process and a rationale for their inclusion;
- Describe the types of contracts that it intends to enter in to through the execution of the transaction and any key terms that will be included that depart from standard P3 practice along with an explanation of the rationale for these departures.
- Disclose the process and expertise to be used to develop any and all project documentation. Documents templates or precedents that sponsor will be using will also be useful information to disclose in this section of the business case; and
- Provide a high-level timeline for the development and approval of critical project documents.

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: template documents available from procurement agencies or consultants, and financial models developed by the sponsor or its financial advisors.

### **IN THE REVIEWER'S SHOWS**

Ask yourself, does this section of your business case answer the following questions:

- Are all key required documents described? Is the rationale underlying their use clearly articulated?
- Are the key features of the project, as described in previous sections, and in Step 1 above, reflected in the documents provided?
- Is a clear process, expertise and timelines provided for the development of key project documents?

## SECTION 8.0

# Implementation plan

The purpose of this section of the P3 business case is to:

1. Ascertain the current status of the project and the steps required to move it forward;
3. Outline the key milestones required to move the project forward that are not procurement related and that have not been addressed in Section 7.0;
4. Bring together the non-procurement and procurement related tasks into a single work plan and to identify the critical path items on this work plan;
5. Develop a plan for the engagement of stakeholders through project execution; and
6. Develop a transition plan for the sponsor through the post transaction period.

This section of the P3 business case is important because it:

- Allows PPP Canada to assess the sponsors readiness to undertake the project;
- Demonstrates the degree to which the project is 'market ready'; and
- Outlines the sponsor's resourcing strategy for the project and the degree to which PPP Canada may be able to lend its assistance to the sponsor in order to move the project forward.

### *STEP 1: Project status*

#### **OBJECTIVE**

In this part of the P3 business case, the project sponsor should:

- Explain the current status of the project, and future work with respect to, where relevant, environmental assessments (Canadian Environmental Assessment Agency), property conveyance, utilities, site approvals, design development and other non-procurement related processes;
- Describe efforts to consult with relevant stakeholders and a list of stakeholder meetings and events. Sponsors should ensure that appropriate due diligence is done when determining the stakeholders to be consulted. Stakeholders to be consulted should include, but not limited to, future users, government program staff, interest groups, and aboriginal groups.
- Where stakeholders have been consulted, present key themes and messages relevant to the successful execution of the project.

#### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: relevant government approvals, stakeholder consultation reports, project and other sponsor staff and departments.

#### **IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer the following questions:

- Has the sponsor conducted due diligence on the approvals requirements associated with the project? Is the list of non-procurement related processes to be completed exhaustive?
- Has the sponsor consulted with relevant stakeholders that may be impacted by the project? Has the consultation been conducted in a manner that ensured the incorporation of their views into the project planning process? Is a stakeholder management plan in place or being developed?

## **STEP 2: Approvals**

### **OBJECTIVE**

In this section of the business case, the project sponsor should:

- Enumerate all approvals that will be required post-business case to move the project from procurement to financial close; and
- Disclose which approvals have been received to date and set out a timeline and the processes to be followed to achieve all outstanding approvals.

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: procurement policies and directives, internal delegations of authority, and governance by-laws, policies and procedures.

### **IN THE REVIEWER'S SHOES**

Ask yourself, does this section of your business case answer the following questions:

- Are all required approvals presented and approvals to date disclosed? Is a timeline for securing outstanding approvals provided?
- Are risks to the approvals timelines presented and mitigation measures disclosed?

## **STEP 3: Project schedule and implementation plan/next steps**

### **OBJECTIVE**

In this section of the business case, the project sponsor should:

- Present an integrated project schedule (e.g., GANTT chart) that outlines the critical path for successfully executing the P3 project. This schedule will include P3 and non-P3 related requirements for the project; and
- Include in the schedule an assignment of responsibilities for key milestones, approvals, deliverables and associated transition and lessons-learned meetings. Risks to the project schedule should also be presented and mitigation measures for these risks described.

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: sponsor's senior decision-makers, project team, transaction, financial and other advisors, and the P3 business case.

### **IN THE REVIEWER'S SHOES:**

Ask yourself, does this section of your business case answer the following questions:

- Does the project schedule set out a critical path that addresses the key project milestones, approvals and deliverables articulated in the business case? Does it also capture other project requirements typical of a P3 procurement?
- Is the timeline provided in the project schedule reasonable in the context of the resourcing and budget set for the procurement?
- Are the risks to the project schedule identified and are prudent mitigation measures identified?

## ***STEP 4: Stakeholder engagement and communications***

### **OBJECTIVE**

In this section of the business case, the project sponsor should:

- Present a high-level communications plan outlining the sponsors overall approach to engaging and communicating with key project stakeholders and the general public through the planning, procurement, construction and operations phases of the project;
- Present a high-level communications protocol identifying the methods and key messaging to be used to guide all communications with regard to the project. A team, or point person, responsible for stakeholder engagement and communications should also be identified; and
- Highlight the stakeholders to be engaged and communicated with, the frequency of engagement and communications, and the form of engagement and communications..

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: the Province of Ontario's Building a Better Tomorrow Framework, corporate or project communications strategies, and public engagement regulations or policies.

### **IN THE REVIEWER'S SHOES:**

Ask yourself, does this section of your business case answer the following questions:

- Who are the project's key stakeholders? Are they internal or external?
- What is their role, interest or position on the project?
- How does their role, interest or position on the project drive engagement and messaging requirements for the project?
- Who will lead engagement and communications on the project?
- How and when will engagement and communications happen?

## ***STEP 5: Post-procurement contract administration***

### **OBJECTIVE**

In this section of the business case, the project sponsor should include:

- A high-level project succession or transition strategy to demonstrate: (i) An understanding of the importance of lifecycle management and oversight to secure value from a P3 delivery model; and (ii) A commitment to integrate contract management and operations representative in the project team to ensure a proper transitioning of the project from design/construction to operations phases; and
- Address how the individuals or departments that will be responsible for the sponsor's contractual obligations under the P3 contract will be integrated into the planning, procurement and construction phases of the project, and outline, at a high-level, how the project will be transitioned from procurement to operations after substantial completion.

### **SOURCES OF INFORMATION**

Sources of information include, but are not limited to: policy and procedure guidance from other jurisdictions such as the U.K. and Australia, Canadian P3 procurement agencies (e.g., Infrastructure Ontario, PBC), and publicly available studies on P3 contract management.

### **IN THE REVIEWER'S SHOES:**

Ask yourself, does this section of your business case answer the following questions:

- Is a realistic post-procurement transition and contract management plan set out?
- Is there clear evidence that individuals or departments that will be responsible for the P3 contract will be involved in the planning and procurement of the project?
- Are there any activities or tactics outlined to ensure a sustained link among the planning, procurement and operations phases?

# Glossary

P3 terminologies can vary significantly across jurisdictions. The following glossary defines key terms as used within this guide.

Affordability threshold	A specified bid value determined by the sponsor above which the project becomes unsustainable from the sponsors financial perspective
Feasibility study	A study conducted as part of a traditional business case which assesses the degree to which the various features of a project are either sustainable or achieve the sponsors stated objectives
Needs assessment	A document assessing the communities need for the project and any constraints being placed on the projects development
Public Sector Comparator (PSC)	The cash flows of a project developed on the basis that it is developed and financed by the sponsor using its usual project delivery approach
Request for Expression of Interest (RFEOI)	Request for Expressions of Interest, a non-binding procurement document usually released prior to an RFQ to gauge the level of market interest in the project and to highlight any potential bidder concerns
Request for Proposals (RFP)	The final procurement document usually released to a limited set of bidders with the intention of receiving final bids for the project
Request for Qualifications (RFQ)	A binding procurement document released with the intention of qualifying proponents to submit proposals for a forthcoming RFP. The RFQ usually describes the project at a high-level and requests interested parties to submit their experience and qualifications with respect to specific project parameters
Scope ladder	A tiered-pricing methodology in which bidders make more than one price submission based on varying scopes of the project
Shadow Bid	The cash flows of a project developed on the basis that it is developed by the private sector using a P3 methodology
Traditional procurement	The delivery methodology usually used by the sponsor to procure the asset-type being analysed. For most jurisdictions, this is usually a design-bid-build or design-build methodology
Value for Money	The difference in the risk adjusted net present cost of delivering the project using the sponsors traditional methodology for such projects and the anticipated cost of delivering it through the private sector, i.e. using a P3 methodology

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