



Atlantic Provinces Transportation Forum

Stream 3: Economic and Policy Aspects of Transportation

The Role of P3s in Delivering Transportation Infrastructure

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What are Public-Private Partnerships?

P3's are another way to competitively procure public-purpose infrastructure assets

- In Canada, primarily applied to new / greenfield infrastructure
 - Objective is to bundle together key project components – that traditionally were not bundled – into one Project Agreement:
 - Design, Build, Operation, Maintenance and bundled with capital Financing
 - Contract operation / maintenance term is 25 yrs to 30 yrs to cover the expected major mid-life refurbishment
 - Ownership remains with public sector (Project Agreement is a license)
 - Used in Transportation (roads, bridges and transit), Buildings (hospitals, prisons, courthouses, schools, facilities) and Utilities (electricity, water, communications)

Aligns interests of the Public and Private partners to ensure asset performance is consistent over the expected life-span, including commitments on funding

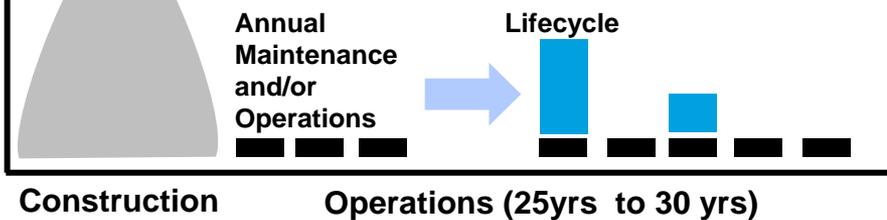
Comparison of “Traditional” vs a P3s

Project Phase	Traditional	P3
Planning	Public Sector	Public Sector
Design	Consultant selected on qualifications and price	
Construction	General contractor selected by tender (lowest price)	
Operation	Public Sector staff or short-term tendered contracts	<i>varies by asset</i>
Maintenance	Public Sector staff or tendered short term contracts	Bundled and transferred to Special-purpose P3 contractor selected on qualifications, design/plan, and price. (typically a consortium of firms) 
Life Cycle Refurbishment	Public Sector staff or tendered one-off contracts	
Financing	Public Sector	
Funding (who pays)	Public Sector	Public Sector
Asset Ownership	Public Sector	Public Sector

Alignment of Payment and Performance

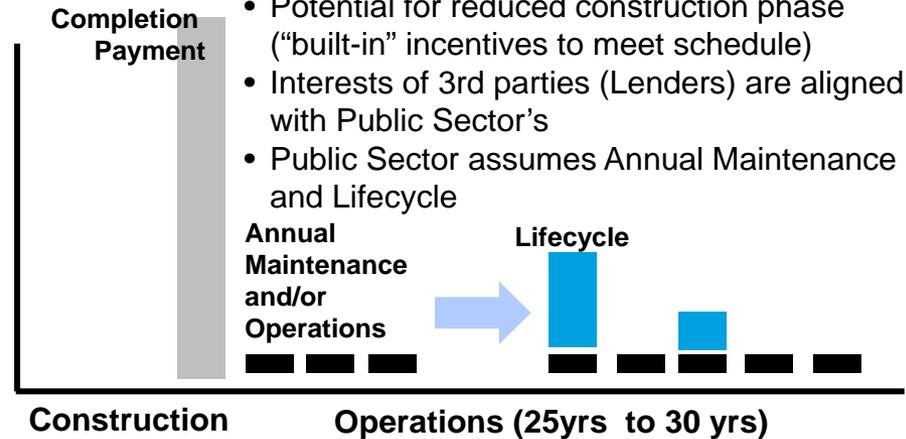
Traditional

- Public Sector pays for services / assets as they are provided
- Full costs of construction are paid in advance of operational commencement
- Due to limited securities, most cost overruns also become liabilities for the Public Sector



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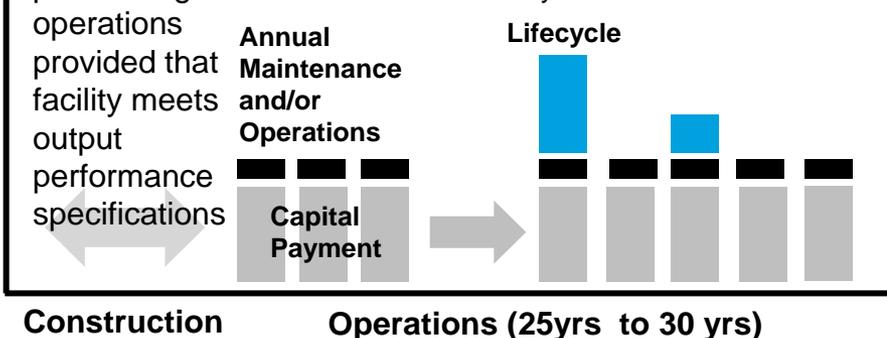
- Full costs of construction are paid at completion – transfers construction risk
- Potential for reduced construction phase (“built-in” incentives to meet schedule)
- Interests of 3rd parties (Lenders) are aligned with Public Sector’s
- Public Sector assumes Annual Maintenance and Lifecycle



DBFM

Construction payments are withheld and re-paid during operations provided that facility meets output performance specifications

Performance risk is transferred and secured by Capital Payment



- Potential for reduced construction phase (“built-in” incentives to meet schedule)
- Construction risk is mostly assumed by the private sector partner
- Interests of 3rd parties (Lenders) are aligned with Public Sector’s
- Constructor has Lifecycle performance risk and must consider maintenance as part of design/build phase
- Operating risk is mostly assumed by the private sector partner and secured by capital payment
- Ongoing payments reflect amortized capital costs and ongoing costs
- Greater performance and asset condition

Some Examples

*Confederation Line
Ottawa, ON*



*Northwest Anthony Henday
Edmonton, AB*



*Champlain Bridge
Montreal, QC*



*Canada Line
Vancouver, BC*



Photo: Meiric Preece

Questions?

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Experience & Qualifications

- Nearly 25 years of experience with public sector infrastructure projects
 - >15 years of experience with transportation and energy infrastructure PPP projects in Canada
 - Experience with power generation and distribution, waste to energy, wastewater, highways, bridges and transit
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