

# Understanding Public Private Partnerships in Canada

Consulting Engineers of Manitoba

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Manitoba Hydro

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ASSOCIATION OF CONSULTING  
ENGINEERING COMPANIES | CANADA

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*SHAPING TOMORROW'S WORLD  
FAÇONNE LE MONDE DE DEMAIN*

## ACEC Task Force

- P3s are here to stay
- Educate members and clients
- “Too Much Information”
- Lessons Learned
  - Canadian Experience – 2<sup>nd</sup> wave



# UNDERSTANDING PUBLIC PRIVATE PARTNERSHIPS IN CANADA



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## Objectives of the Report

- Identify opportunities, challenges, benefits and risks of P3s
- Identify best practices based on Canadian experience
- Assist owners to determine when P3 or another delivery model will result in most successful project outcome
- Provide guidance to owners and to consulting engineering companies considering involvement in P3s

# P3s Defined

*“ ... a partnership arrangement in the form of a long-term performance-based contract between the private sector (any level of government) and the private sector (usually a team of private sector companies working together) to deliver public infrastructure for citizens. A public private partnership could be any kind of infrastructure or service such as a new hospital or bridge or highway, a new type of technology that delivers services in a faster and more efficient manner, or a new federal government building – anything that citizens typically expect their government to provide.”*

*Partnerships BC*

# P3s Defined

*“ A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.”*

CCPPP

# P3s Defined

*“Typically, an eligible P3 or AFP will be a procurement where a private proponent designs, builds, finances and operates/maintains a given infrastructure asset.”*

*PPP Canada*

Why?





# **BROKEN BUILDINGS, BUSTED BUDGETS**

**How to Fix America's Trillion-Dollar  
Construction Industry**

**BARRY B. LEPATNER**

“project by project”

“asymmetric information”

reward for inefficiency

architects have lost/abandoned ability

poor productivity

waste – 30%? 50%?

lack of innovation

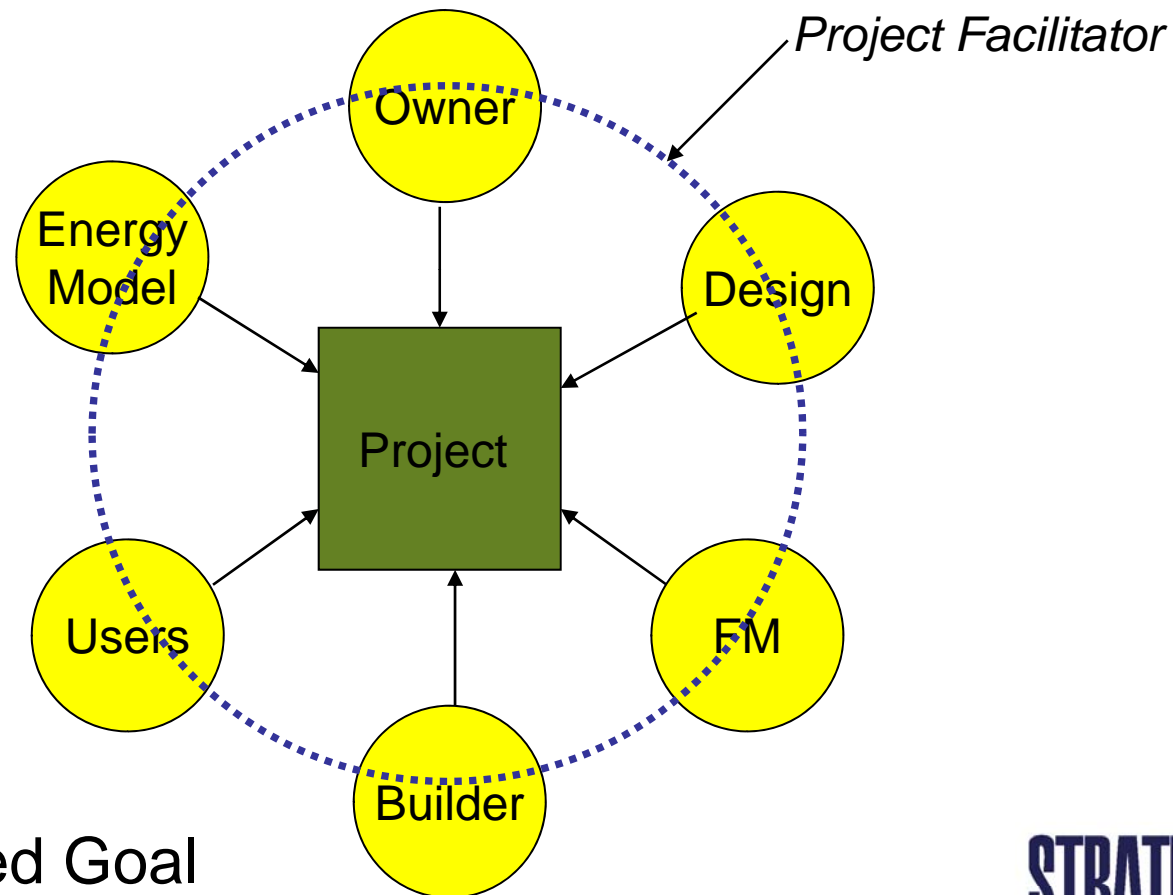
process not truly competitive

integration > specialization

# Why?

- Owner concerns w/ “conventional” models
  - Cost
    - \$\$\$\$
    - Not getting best value for money
    - Overruns
  - Schedule
    - Looking for faster delivery
    - Overruns and delays
  - Quality

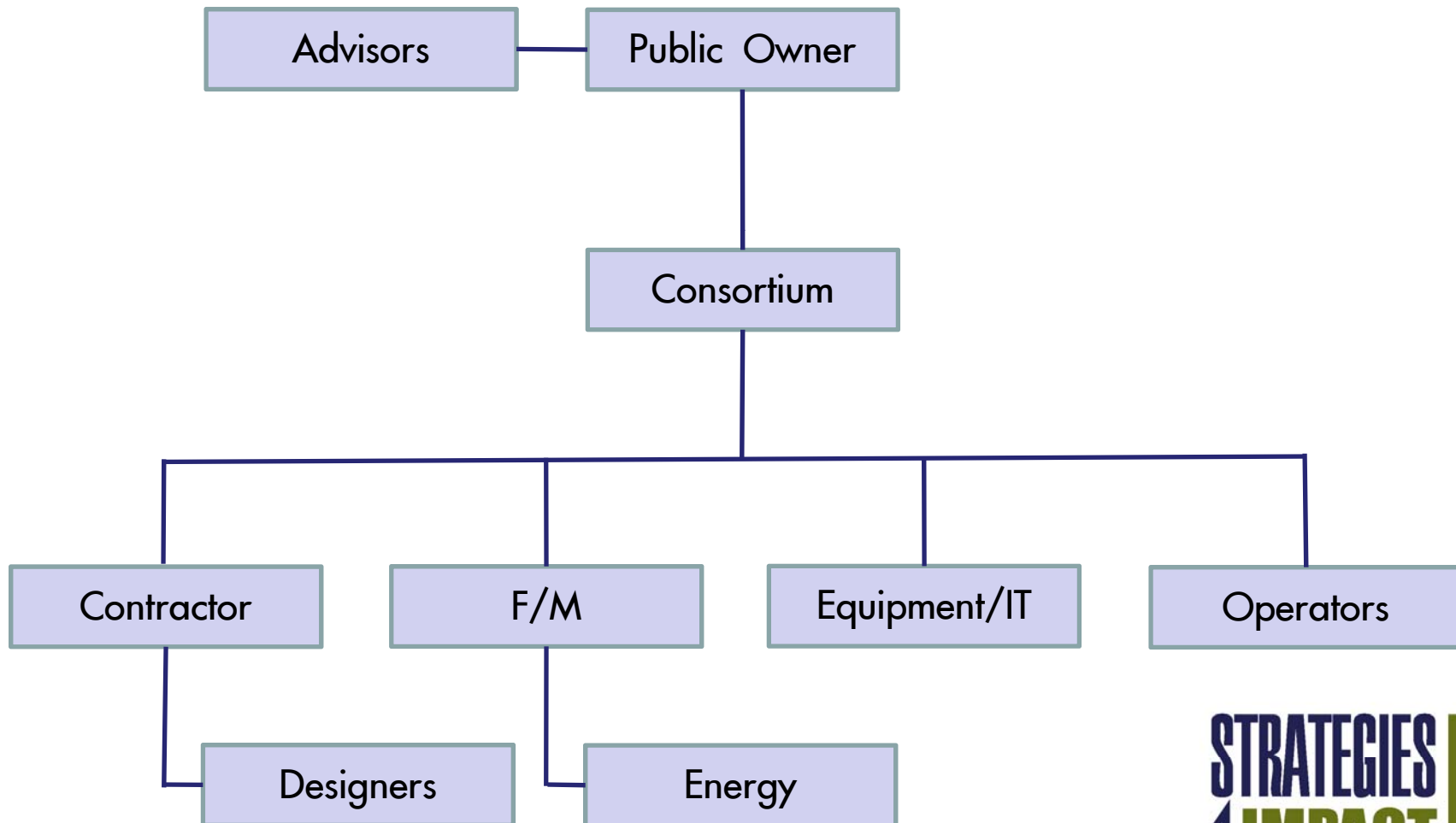
# Integrated Project Delivery



Project = Shared Goal

Shared Risk and Reward

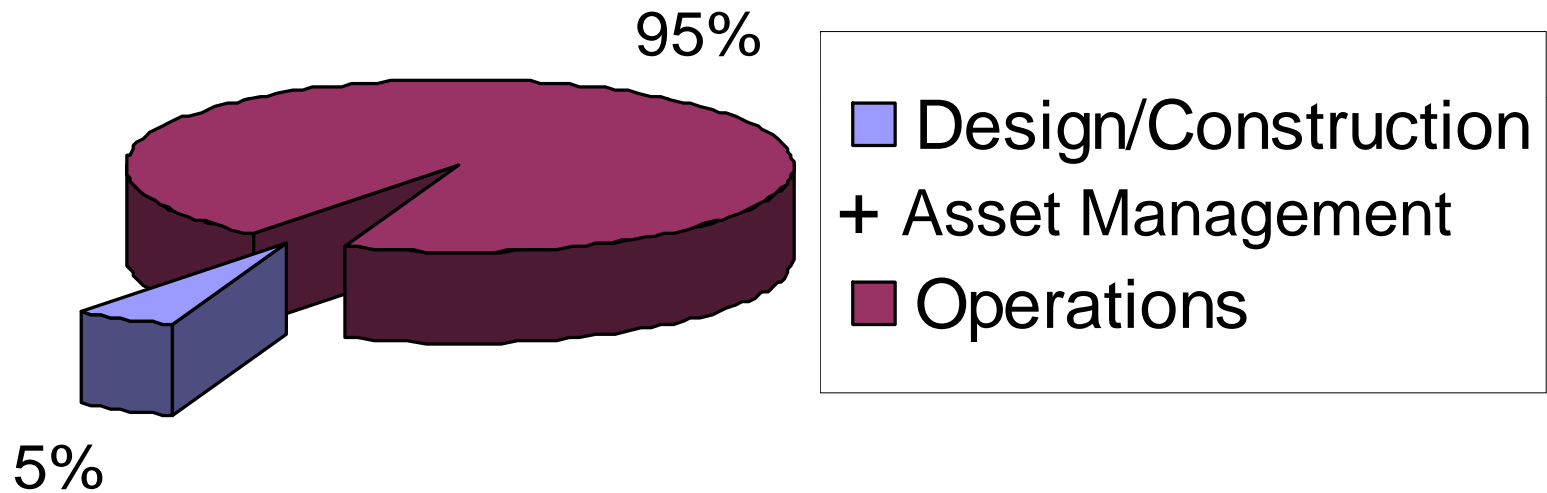
# Public Private Partnerships (P3s, AFP)



# So, Why P3s?

- Benefit from private sector experience, expertise, innovation and efficiencies
- Greater integration
- Financing
- Projects May Be Delivered Faster
- Life Cycle Cost considerations

# Service and Ops



# RISK

# Key Findings

- P3 is a valid form of project delivery when used properly in appropriate circumstances
- Not a panacea
  - Value for Money Analysis
    - Compare P3 delivery and conventional
    - Comprehensive
    - Realistic
    - Objective
    - Lowest cost delivery is best value for \$



# Key Findings

- Other models can deliver similar benefits
- Advice from designers at project outset is an investment in project success
- Greatest benefit when private partner maintains and operates for long term
- Best results through fair sharing of risk and reward
- “the right team”

# Risks for Owners in P3

- Complexity, Cost and Time
  - Procurement vs. construction
- Risk allocation and its costs
  - Uninsurable risks; unmanageable risks
- Financing
- Consortium's Team
  - QBS
  - Pursuit costs - investment

# Risks for Owners in P3

- Project requirements
  - Output specs
    - tech
    - Design
    - maintenance
  - Innovation
  - Post-agreement changes - new tech
  - “Public dissatisfaction” a risk

# Advice for Owners

- Bring qualified advisors on early
- Educate internal decision-makers
- Competent and realistic business case
- Compare to other delivery models
  - Critical Mass and “Bundling”
- VFM analysis
- Risk analysis
- Keep senior mgt fully engaged

# Advice for Owners

- Engage users
- Consider transition issues
  - Environmental mitigation
  - Loss of use of all or part of asset
  - Traffic management
- Project agreements comprehensive
- Post-construction evaluation
- Operations and Maintenance

# Advice for Consultants

- Educate management and decision-makers
- Business Case for P3s
- Risk/reward education and assessment
- Fast pace
- Resources
- Assess 'the team'
- Compensation

# Advice for Consultants

- Assess schedule realistically
- Assess resources
- Assess pursuit strategy
- Legal incl IP
- Risk assessment, Risk management measures
- Negotiation skills
- Internal PM, QM
- Professional Judgement

# Final Thoughts

- ACEC neither pro/con P3s
- Do not assume P3 is THE SOLUTION
- P3s do not create 'free' infrastructure
- Many variations of P3s – understand which is being used
- Assess ALL applicable delivery models – VFM
- Design consultant is NOT Owner's agent
- Don't give away services/IP
- NEVER forget the end user





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- What is a P3?
- Why P3s?
- Is P3 a Panacea?
- Forms of P3 in Canada
- Potential Challenges for Owners
- P3 Process
- Principal Roles for Consulting Engineers in P3s
- Opportunities/Benefits for Consulting Engineering Companies
- Risk and Challenges for Consulting Engineering Companies
- Guidance for Owners Considering P3s
- Guidance for Consulting Engineering Companies Considering P3s
- Additional Resources

