

# The devil does not wear P3s

by John Chenery

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## Overcoming fears of the complex contracting process, infrastructure P3s gain ground in Canada

**T**HESE ARE HEADY days for those involved in public-private partnerships (P3s) in Canada.

In October, BC Premier Gordon Campbell announced that all provincially funded municipal capital projects over \$20 million must be evaluated for their potential as public-private partnerships.

A month later, federal finance minister Jim Flaherty announced the creation of a federal public-private partnership office to “facilitate a broader use of P3s in Canadian infrastructure projects.” Flaherty said the government will also establish a separate national infrastructure fund for P3 projects and gateway and border crossings. In future, he said, the government will require that municipal, provincial and territorial governments consider P3 for larger infrastructure projects with federal funding.

Sandwiched between these two announcements was the conference of The Canadian Council for Public-Private Partnerships, the annual event where many of the country’s top bankers and fund managers, financial and engineering consultants and construction companies get together with federal, provincial and municipal government leaders to talk about the state of P3 in Canada.

Buoyed by Campbell’s announcement but still unaware of Flaherty’s, delegates at this

year’s conference were in ebullient mood nonetheless. And, why not? Evidence of surging demand for private capital investment in public infrastructure and services was comprehensively presented on the morning of day one in a session called Checking in on the Progress of Infrastructure Development in Canada – Conventional and P3.

### Accentuate the positive

As the speakers rolled across the regions from British Columbia to the Atlantic, it became obvious that Canada’s robust infrastructure development program involves a healthy mix of conventional and P3 projects.

### The west

Larry Blain, president and CEO of Partnerships BC (the government-owned company that puts together P3 deals in BC) set the tone with a presentation that confirmed the province’s status as a national P3 leader, both in the number of projects signed and the variety of projects undertaken.

The province’s P3 portfolio includes a range of highways, roads and bridges, a water treatment plant, hospitals, health care centres, and residential care and assisted living centre facilities. Municipalities in BC are using P3s to provide a water and wastewater treatment system for Port Hardy, a sporting

and entertainment complex in Kelowna and a landfill gas cogeneration facility for the city of Vancouver.

The biggest P3 currently under way in BC is also a municipal project – the Canada Line, a new light rail rapid transit line that will connect downtown Vancouver with the city of Richmond via Vancouver International Airport in time for the 2010 Winter Olympic Games. The \$1.9 billion design-build-operate (DBO) project is jointly financed by the federal and provincial governments, Greater Vancouver Transportation Authority (Translink) and Vancouver Airport Authority. It is being built and will be operated for 35 years by the big Montreal-based engineering firm, SNC-Lavalin.

Translink is also the public partner in the province’s other P3 mega-project, the \$1.1 billion Golden Ears Bridge, a six-lane toll crossing of the Fraser River about 45km east of Vancouver. The project, which will open to traffic in mid-2009, is one of Canada’s largest ever design-build-finance-operate (DBFO) financing and one of the world’s biggest wrapped (insured) loan P3 transactions.

Other transport P3s either completed or under way in BC include:

- Sierra Yoyo Desan resource road, a \$40 million road built for the Ministry of Energy and Mines in the province’s north-east

- an international standard concert hall for the Montreal Symphony Orchestra to be built at a cost of about \$105 million;
- two new teaching hospital complexes, one at Montreal University and the second at McGill; and
- a 200-bed residential and long-term care centre Champlain HSSC Residential and Long-term Care Centre in Montréal, the first phase of a plan that will eventually provide 1,500 long-term care beds throughout the province.

The region's signature P3s are the Confederation Bridge and the \$630 million Fredericton-Moncton highway project – the 195km stretch of Trans-Canada Highway joining the two major cities of New Brunswick which opened to traffic in 2001.

Currently under construction at a cost of \$544 million is the final 98km of the Trans-Canada Highway from Fredericton north to the Quebec border. When the section opens to traffic next fall, most of the 235km of Trans-Canada Highway across New Brunswick will be operated, maintained and rehabilitated by the private sector contractor.

New Brunswick's list of completed P3 project also includes the New Brunswick

Moncton's water treatment facility, Canada's first major drinking water public-private partnership. RFQs are currently being assessed for the Grand Manan ferry, one of the first times a P3 has been used to design, build, operate and maintain a ferry service.

Other P3s in the Atlantic region include the Hillsborough Bridge, outside Charlottetown in Prince Edward Island and in Nova Scotia, Highway 104, the Central Nova Scotia Correctional Facility and the East Coast Forensic Hospital. *www*

## Atlantic

The deputy minister of New Brunswick Transportation, David Johnstone, told the

## Public private partnerships are alive and well in Atlantic Canada

conference that public-private partnerships are alive and well in Atlantic Canada, even though many of the projects are not as high profile as those in other regions.

Youth Centre (Miramichi), Evergreen Park School (Moncton), Leo Hayes High School (Fredericton), Centracare Psychiatric Care Facility (St. John) and the municipality of

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and now used by oil and gas, forestry and pipeline companies. The 180km route was completed on budget and three months ahead of schedule;

- Sea-to-Sky Highway Improvement Project, a \$600 million project to improve safety and reliability on the route between Vancouver and Whistler;
- Kicking Horse Canyon, the \$130 million second phase of a project to upgrade the Trans-Canada Highway through the Rocky Mountains;
- William R. Bennett Bridge, a \$144 million project to replace the old floating bridge across Okanagan Lake between Kelowna and Westbank with a new five-lane crossing.

The province also has a variety of P3 hospital and health-care projects either operational or under way:

- Abbotsford Regional Hospital and Cancer Centre, a state of the art 300-bed facility being built at a cost of \$355 million and scheduled to take in its first patients in summer 2008; and
- Gordon and Leslie Diamond Health Care Centre, a \$95 million outpatient care facility at Vancouver General Hospital that was

completed on time and on budget and accepted its first patient in August.

Currently in procurement, two projects to provide complex care, assisted living and related services in the northern city of Prince George and in communities on Vancouver Island.

- one hospital under construction – Montfort;
- six for which requests for proposal (RFPs) have closed and bids are being considered – North Bay, Quinte, St. Joseph's (London), Sudbury, Sunnybrook and Trillium (both Toronto);

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### The prairies

The prairie provinces have not taken to public-private partnerships with the enthusiasm of their neighbour to the west. Saskatchewan and Manitoba continue to opt for conventional infrastructure approaches.

Alberta, meanwhile, is using P3s to build parts of its two metropolitan ring roads – the south-west section of Edmonton's Anthony Henday Drive and the north-east section of the Calgary ring road. There have been no decisions on how the government will finance and build the remaining sections of the ring roads but, according to Jay Ramotar, Alberta's deputy minister of Infrastructure and Transportation, the P3 model is favoured “because of the success achieved so far.”

Public-private partnerships have also been used to undertake an ambitious program of long-term care facilities across the province with 24 already completed and three others under construction. Two successful municipal water and wastewater P3 projects in Canmore and Okotoks were highlighted.

Ramotar said that over the next three years the Alberta government is planning infrastructure investments of \$15.9 billion – conventional and P3.

### Ontario

After a slow start, the provincial government of Ontario has taken to public-private partnerships model with a vengeance, although Ontario eschews the term P3 in favour of AFP (alternative finance plans). AFP is an important component of the government's ReNew Ontario initiative, a massive five-year \$30 billion program to renew, replace and repair the province's crumbling infrastructure.

The government has identified the health sector as its current infrastructure priority and consequently the AFP agenda is heavily populated by hospital and health care projects, 35 of them altogether. That total comprises:

- two with open RFPs – Sarnia and Sault area;
- eight with open requests for qualifications (RFQs) – Hamilton (three projects), Niagara, London, Ottawa, Rouge Valley and Runnymede (Toronto); and
- eighteen more in the pre-tender stage. Courthouses in Durham and Waterloo and a youth justice facility in Brampton round out the province's ambitious AFP program.

“We've made good progress in a short time,” said David Livingston, president and CEO of Infrastructure Ontario. “Our models and templates are now set, we can lower bid costs and reduce the time it takes to go through the bidding process.”

“But we have to make sure that we continue to do a good job of explaining to Ontarians what we are doing and why it's good for them.”

### Quebec

By the end of 2006, the newly-minted P3 agency, Partenariats public-privé Québec, will have completed business cases on seven projects totaling \$4 billion. “Five of these projects will be in either the RFQ or RFP phase of procurement by the end of the year,” said the agency's president and CEO, Pierre Lefebvre.

- The agency's current projects include:
- completion of Highway 25 with a 7.2 stretch – including a 1.2km bridge over the Rivière des Prairies – linking Laval with the eastern section of Montreal at a cost of \$400 million;
  - completion of Highway 30, a \$1 billion project to build 35km of autoroute between Chateauguay and Vaudreuil-Dorion;
  - construction of the first seven of 33 planned highway service areas in various parts of the province where drivers can rest, eat, obtain information and, in some cases, fill up with gas.