



CANADA-U.S. FORUM ON PUBLIC-PRIVATE PARTNERSHIPS

WOODROW WILSON CENTRE
WASHINGTON D.C.
THURSDAY OCTOBER 3, 2013

CANADIAN LESSONS LEARNED

Lesson 1 – P3s Work!

Sea-to-Sky Highway



Rt. Hon. Herb Gray Parkway



Lesson 1 – P3s Work!

Golden Ears Bridge



Highway 407 Extension



Key Components of a Successful P3 Program

1. Political Will and Legislative Framework

- Demonstrated political will to support the use of P3s is essential to generating industry confidence that will attract bidders to your market. Have a visible political champion.
- Ensure the legislative framework is in place to enable the use of P3s and implementation of intended risk transfers before deals are brought to market.

2. Cross-Market Knowledge Transfer

- Take every opportunity to learn from the experience gained and lessons learned in other national and international markets. Canada learned a great deal from the UK experience in developing its P3 market, and inter-governmental collaboration contributed greatly to its success in becoming one of the world's most mature and stable P3 markets.

3. Centralization of P3 Expertise

- The creation of specialized agencies to serve as centres of P3 expertise and experience has been a major factor in the successful evolution of the UK, Canadian and other markets.

Key Components of a Successful P3 Program

4. Project Pre-Screening

- Carefully pre-screen your projects to confirm their suitability for procurement as P3s, including detailed identification/analysis of specific project risks and rigorous value for money assessment. Remember that P3s aren't appropriate for every project and that failed transactions hurt the entire market.

5. Risk Transfer

- Don't try to transfer risks to the private sector that the public sector is in a better position to manage on a more cost-effective basis. It will result in large and unnecessary risk premiums and contingencies being built into the pricing you get and destroy value-for-money you might otherwise achieve.
- Don't retain risks the private sector is capable of assessing and pricing and is in a better position to manage.

Key Components of a Successful P3 Program

6. Project Teams

- Maximize collaboration/communication between specialized P3 procurement advisors and relevant in-house government personnel by creating fully integrated multidisciplinary project teams from the inception of each project. The experience and expertise both bring to the effort is essential. P3s are a project delivery model – they don't diminish the importance of sector-specific governmental expertise and experience.

7. Focus on Output-Based Specifications

- P3s are designed to maximize the benefits of private sector technical and operational innovation. Don't stifle the private sector's ability to provide innovative solutions by using unnecessarily prescriptive technical specifications. The most experienced and creative P3 proponents are attracted to projects that offer maximum opportunity for innovation.
- Instead of relying on overly-prescriptive specifications, use carefully drafted output-based specifications and well-structured design and construction certification, quality management and performance monitoring mechanisms to ensure you get what you are after.

Key Components of a Successful P3 Program

8. Procurement and Project Documentation Generally

- Resist the urge to reinvent the wheel – it will alienate prospective bidders, cost time, result in protracted negotiations and drive up transaction costs.
- Significant standardization of P3 procurement and project documentation has occurred across markets and sophisticated bidders are well versed in dealing with industry-standard documents and processes. Adapt industry-recognized precedent documents to your specific jurisdictional and project requirements wherever possible instead of trying to start from scratch.
- Retain experienced P3 consultants and advisors. They are necessary to bridge experience gaps between the public and private sectors in a new market.
- Remember that procurement and project documents (including the technical specifications) are legal documents that should ultimately be drafted under the direction of your legal advisors working in close collaboration with the technical and operational team members.

Key Components of a Successful P3 Program

9. Procurement Processes

- Fair, fully transparent and consultative procurement processes are critical to attracting bidders to your market. Proponents will be reluctant to incur the significant costs of pursuing a P3 project unless they know the procurement process meets these standards.

10. Project Monitoring and Audit Program

- Effective project monitoring is an essential component of the P3 model. Make sure qualified personnel are available to manage the implementation of your project agreements through both the design/construction and operational phases. There is a natural tendency to focus on design and construction in new markets, but achieving anticipated value-for-money ultimately depends on efficient and effective contract administration and monitoring throughout the entire project lifecycle.
- Implement an on going project auditing process to confirm the achievement of project objectives and evaluate success in realizing value-for-money through the use of P3s.