

# Alternative Capital Financing: The P3 Experience in Alberta



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Alternative Capital Financing Office  
Alberta Treasury Board

# Presentation Outline

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- **Alberta Experience to Date**
- **P3 Assessment and Guiding Principles**
- **Choosing between P3s and Other Delivery Methods**
- **Recommendations for contractors**
- **Current Projects**





# P3 Projects Completed or in Progress

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- **Constructed and operational:**

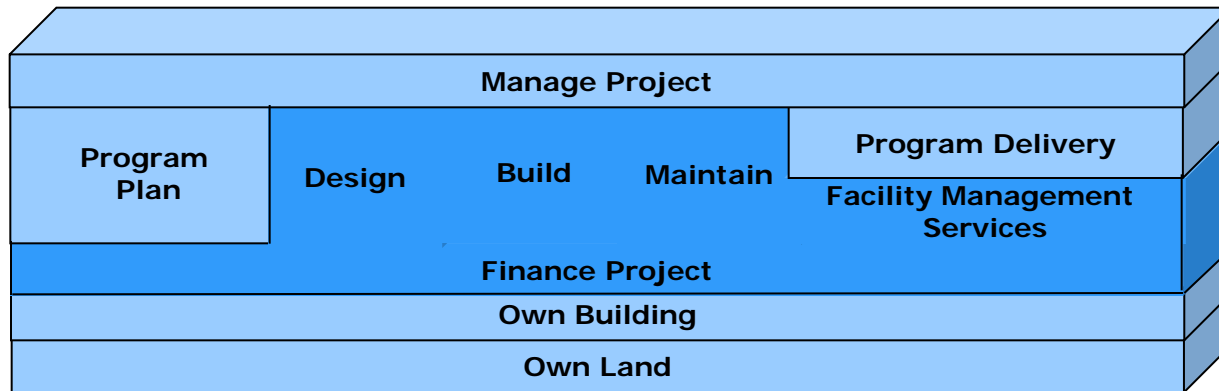
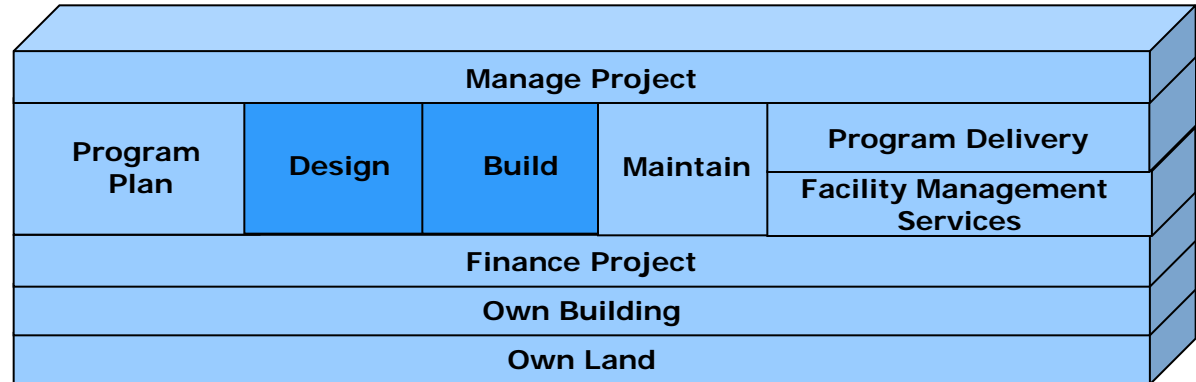
- Anthony Henday Drive Southeast (Edmonton Ring Road)
- Northeast Stoney Trail (Calgary Ring Road)

- **Under construction:**

- Anthony Henday Northwest (Edmonton Ring Road)
- 18 new schools in Edmonton and Calgary – Alberta Schools Alternative Procurement (ASAP I) project
- Southeast Stoney Trail (Calgary Ring Road)
- 10 new schools in Edmonton, Calgary, Okotoks and Langdon (ASAP II)

# What is a P3 in Alberta?

## Traditional Procurement



## P3 Procurement



# What a P3 is NOT

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- Off balance sheet borrowing
- Cheap financing
- Free funding
- A way to get a project on the approved Capital Plan



# Why Use P3s?

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- One of several methods to procure an approved project
- Large demand for capital projects; Alberta's 2010-2013 Capital Plan is \$20.1 Billion
- Looking for efficient alternative ways to finance and deliver infrastructure projects
- P3s can provide other benefits

# Potential Benefits of P3s

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- Value for money
- Schedule certainty and cost certainty
- Life cycle costs of project (“30-year warranty”) addressed
- Potential for innovation
- Risk allocated appropriately
- Earlier project delivery

# P3 Initial Review Criteria

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- **Project is sufficiently large (usually \$100 million or more)**
- **Asset provision and operations can be defined in an output specification**
- **Payment and/or revenue can be tied to performance**
- **Performance requirements are stable or predictable**
- **Opportunity for the project to generate value for money**
- **Opportunity for risk transfer**
- **Private sector has the ability to deliver**
- **Enough interest to generate a competitive process**
- **Sufficient operating period to generate savings**

# P3 Project Guiding Principles

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- Project must generate value for money
- Lowest compliant net present value bidder is the Preferred Proponent
- Project agreement is negotiated upfront, no changes after final submissions
- Risk assigned to party who can best manage the risk
- Open, fair and transparent process
- Competitive process – ideally 3 proponents

# Why Adopt a Non-P3 Approach?

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- **Alberta may not proceed with P3 option if:**
  - **Project too small or too complex to generate value for money**
  - **Limited market capacity or interest**
  - **Limited GOA management capacity**
  - **Limited opportunities for risk transfer**
  - **Potential for extended procurement process challenges project schedule**
  - **Interface with existing infrastructure adds complexity**
  - **Industry feedback indicates other alternatives**

# Recommendations for Contractors

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- **Keep current with the provincial P3 pipelines:**
  - Follow websites of provincial agencies (Partnerships BC; Alberta Treasury Board; Infrastructure Ontario, etc.)
  - Canadian Council for Public-Private Partnerships Project Tracker
  - Public Works Financing newsletter
  - Project Finance magazine
- **Include P3s in annual strategic planning for bids**
- **Arrange teams in anticipation of projects – difficult to form teams when RFQs already on the street**
- **Attend industry information sessions held by P3 agencies**
- **If unsuccessful with P3 bid, attend debriefing session to obtain feedback**

# Completed P3 Projects

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- Anthony Henday Drive South East, Edmonton



# Completed P3 Projects

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- Northeast Stoney Trail, Calgary



# Current P3 Projects

- Anthony Henday Drive Northwest, Edmonton

Interchange with Yellowhead Trail →



← Reinforcing steel - St. Albert Trail Interchange

# Current P3 Projects

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- **Alberta Schools Alternative Procurement, Phase 1  
Saddle Ridge K-9 School, Calgary**



# Current P3 Projects

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- Alberta Schools Alternative Procurement, Phase 1  
Saddle Ridge K-9 School, Calgary



# Current P3 Projects

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- **Alberta Schools Alternative Procurement, Phase 1**  
**Terwillegar Heights K-6 School, Edmonton**



# Current P3 Projects

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- **Alberta Schools Alternative Procurement, Phase 1  
Terwillegar Heights K-6 School, Edmonton**



# Future Potential P3 Projects

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- Remaining ring road segments in Edmonton and Calgary
- Additional social infrastructure such as health facilities, post-secondary institutions
- Water/wastewater projects
- Other projects where potential for value for money exists



# Concluding Comments

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- **P3s are not a panacea for all projects**
- **P3s complement conventional and other delivery methods – they do not replace them**
- **“Made in Alberta” P3s provides value to Albertans for the right projects, properly executed**

Alberta

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