



cutting through complexity™

P3's – Obtaining Funding from the P3 Canada Fund

Selecting the right project

ADVISORY

Agenda

P3 Canada Fund – What you need to know

- P3 Objectives
- Overview
- Project Eligibility
- PPP Canada Criteria for Assessment

Selecting the Right Project for a P3 and the P3 Canada Fund

- Project Identification
- P3 Project Screening Tool

Best Practices and Effective Application Writing

- Our top 3 tips

Conclusion

P3 Canada Fund -

What you need to know

PPP Objectives

To be effective, a P3 must offer the potential for better value to the Public Authority and address the objectives of both partners

Public sector objectives:

- To obtain maximum value from an opportunity
- To maximize service at a reasonable cost
- To minimize cost at an acceptable service level
- To deliver service within a given timeframe

Key: Objectives can only be realized if opportunities to the private sector exist such as innovation, risk management and the life cycle management of assets

Private sector objectives:

- To earn a return equal to the risks and merits of the venture

P3 Canada Fund

A \$1.2 billion fund to stimulate the adoption of P3 procurement by Provinces, Territories, Municipalities and First Nations to improve the delivery of public infrastructure and provide better value, timeliness and accountability

Targeting:

- Useful public infrastructure in areas of federal interest
- Well structured, value for money P3's
- Projects that build the P3 market
- Projects must foster economic growth; support a cleaner environment; and/or promote stronger communities

Nature and level of funding support dependent on project:

- Maximum 25% of construction costs

Funding Calls and Announcements

To date, approx \$1.1 billion funding is remaining in the Fund

Round One – October 2009

- P3 Canada committed \$100M funding to three projects

Round Two – June 2010

- P3 Canada has committed funding to 2 projects with more expected shortly

Round Three – May/June 2011

- Funding pending board decisions





Round Four – Commences in Spring 2012

Is the project for the construction, renewal or material enhancement of public infrastructure?

Is the submission from an eligible public authority?

- province / territory;
- an on-reserve and on-Crown land First Nation;
- municipal or regional government established by or under provincial / territorial statute; or
- public sector body that is established by or under provincial / territorial statute or by regulation or is wholly owned by a province, territory or municipality (e.g., municipal utility, provincial university, municipal airport, etc)

Is the project within an eligible infrastructure category?

-  Water and Wastewater
-  Public Transit
-  National Highway System
-  Green Energy
-  Disaster Mitigation
-  Solid Waste Management
-  Brownfield remediation and redevelopment
-  Sports infrastructure
-  Connectivity and Broadband
-  Local roads
-  Shortline rail
-  Short Sea Shipping
-  Regional and Local Airports
-  Tourism infrastructure
-  Cultural infrastructure

Does the project satisfy the PPP Canada Fund definition of P3 or AFP?

The P3 Canada Fund supports many P3 / AFP models however all projects must meet the following minimum requirements in order to be eligible:

The private sector must either **Design** or **Build**;

AND

The private sector must either **Finance** or **Maintain/Operate**

In addition to these minimum requirements, PPP Canada will give greater consideration for the use of a P3 model that maximizes value for money and optimizes the risk transfer.

PPP Canada Criteria for Assessment

Criterion #1:

Will the project provide public benefits?

Criterion #2:

Is the project / procurement well structured?

Criterion #3:

Will the projects succeed as a P3 and achieve Value-for-Money?

Criterion #4:

Is funding support necessary for the project to proceed, and if so, how much and in what form?

Selecting the Right Project for a Public Private Partnership (P3)

Project Identification

Step 1

- Identify infrastructure projects

Step 2

- Undertake P3 Project Screening

Step 3

- Identify infrastructure projects with P3 potential

Step 4

- Prioritize project that will best meet P3 Canada Fund criteria

Step 5

- Apply to P3 Canada Fund

P3 Project Screening Tool

Purpose: Framework used by a Public Authority for reviewing and determining whether a potential project might be a suitable candidate for implementation as a P3

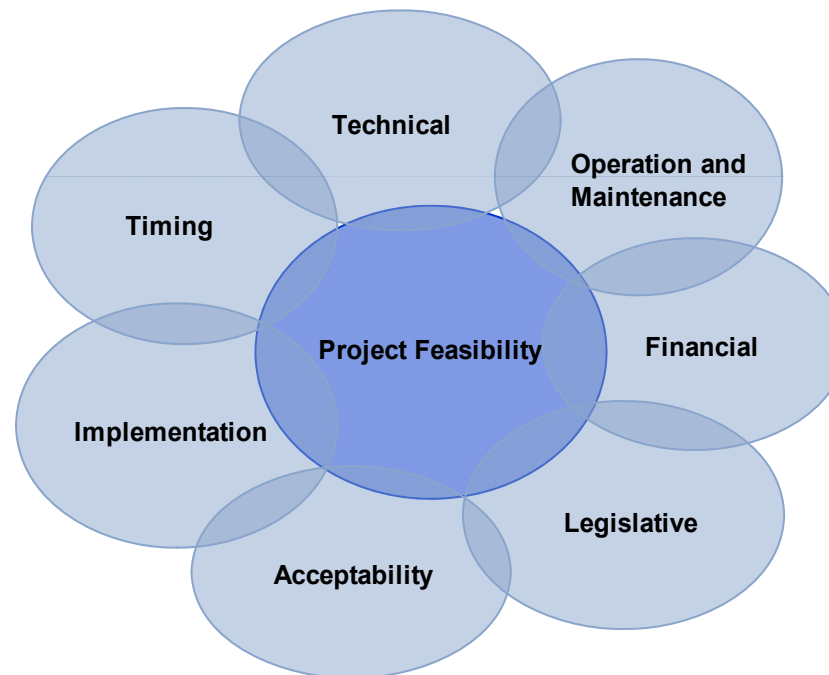
- Identifies criteria to be considered
- Sets out a process for conducting and reporting on the assessment
- Should be undertaken by an individual with knowledge on the subject of both traditional and P3 procurements



KPMG's P3 Project Screening Tool

KPMG has developed a P3 Procurement Screening Tool to assess the suitability of procuring projects as a P3

- Within this tool there are 7 criteria to be considered

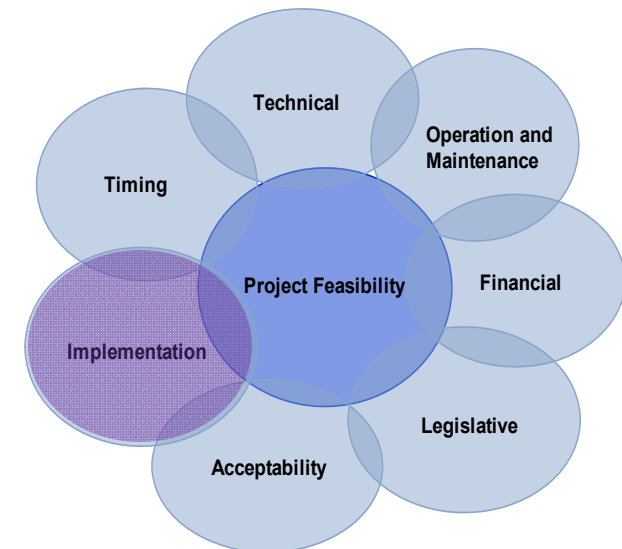


- A series of questions are asked to determine whether a criteria is satisfied

Example: Questions to ask for Implementation Considerations

Implementation Questions		
Considerations	Yes/No	Rationale
Have projects of a similar nature been successfully procured using a P3 approach?		
Are there likely to be sufficient bidders available to generate meaningful competition?		
Will it be possible to ensure that the private sector complies with the terms of its commitments?		
If relevant, can a successful plan of transition to the private sector be developed?		
Will the Public Authority have adequate resources to effectively procure, deliver and monitor the project?		

Summary
Suitability Rating:
Rationale:



Suitability Rating

Unsuitable

- **Project could not be successfully procured as a P3**

Low Suitability

- **Low likelihood** that the proposed project could be successfully procured as a P3

Medium Suitability

- **Moderate likelihood** that the proposed project could be successfully procured as a P3

High Suitability

- **Very good likelihood** that the proposed project could be successfully procured as a P3

Unknown

- **Further information is required** to determine a level of suitability

Best Practices and Effective Application Writing

Best Practices

Tip 1: Preparation

- Significant pre-application activities will be required
- Utilize P3 Project Screening Tool
- Consider the current project status and timeline
 - Applications take approximately 12 months to be fully processed after submission
- Gather relevant project documents and reports:
 - Feasibility studies and results
 - Project approval process and timelines for approvals
 - Project funding documents

Best Practices

Tip 2: Get the Right People

- Have a proposed internal project team in place before application is due
 - Technical Expert
 - Operations Expert
 - Finance Expert
 - Design Expert
- Consider obtaining external advisory to advise to assist in application

Best Practices

Tip 3: Effective Application Writing

- Ensure that project is positioned favourably
- Emphasize the following selling points:
 - Significance of private sector's involvement
 - Attractiveness of project to private sector
 - Potential to extend the P3 market into new areas
- Utilize application writers with P3 expertise
- Use proper P3 terminology
 - i.e., Effectively communicate project's procurement structure
 - Communicate the value provided to both public and private sector over entire project lifecycle

Bonus – Developing an Effective Business Case

What is a Business Case?

An effective business case is a multi-purpose document that generates the support and participation needed to turn an idea into reality. It explains:

- **what the idea, problem, or opportunity is about,**
- **how and who it will impact,**
- **what others are doing,**
- **each of the alternatives,**
- **the associated impacts, risks and cost/benefit of each alternative, and**
- **the recommended course of action.**

Bonus – Developing an Effective Business Case

- The purpose of the business case is to ensure that the delivery of the project is planned with sufficient detail to:
 - Minimize the likelihood of problems occurring later in the lifecycle
 - Maximize the likelihood of achieving project objectives
 - Improve the management of risk and its consequences
- The business case should illustrate the fundamental underpinning of doing the project, not the reason for seeking P3 Canada funding (though it will ultimately be important for getting that funding).



Bonus – Developing an Effective Business Case

- A well developed business case is one way for project sponsors to reduce risk such as:
 - Selection of an inappropriate or sub-optimal business model
 - Cost under-estimation or optimism bias at the outset
 - Unforeseen risk materializing, and/or
 - Poor project management during delivery

Bonus – Developing an Effective Business Case

Traditional Business Case		P3 Canada Business Case
Executive Summary Background Project Description Strategic Alignment Environmental Analysis Alternatives Business and Operational Impacts Project Risk Assessment Financial and Cost Benefit Analysis Conclusions and Recommendations		Executive Summary Project Description and Investment Decision Procurement Decision Value for Money Analysis Integrated Recommendation Project Funding and Affordability Procurement Strategy Implementation Plan

Thank you

Presentation by Paul Levelton and
Chris Kynicos

Paul Levelton

Director
KPMG, Advisory
Global Infrastructure
plevelton@kpmg.ca
604.691.3409

Chris Kynicos

Director
KPMG, Advisory
Global Infrastructure
kcynicos@kpmg.ca
416.777.3475



cutting through complexity™

© 2011 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International Cooperative (“KPMG International”).