

# P3s in Alberta

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Minister Prasad Panda  
January 23, 2020



# What is a P3 in Alberta?

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Alberta defines P3s as:

An infrastructure project in which a private contractor:

- Provides some or all of the financing for the project;
- Designs and builds the project, often providing operations and maintenance for the project, and often backed by an “extended warranty”; and
- Receives payments from government over an extended period of time, subject to deductions for failing to meet contractually defined performance standards.

# P3 Project Guiding Principles

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- Project must generate value-for-money
- The Preferred Proponent provides the lowest compliant net present value (NPV) bid; however, both design and lowest NPV are considered in facilities such as hospitals
- Project agreement is negotiated upfront, no changes after final submissions
- Risk is assigned to party who can best manage the risk
- P3 process must be open, fair and transparent
- Process must be competitive – ideally 3 proponents

# Why use P3s?

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- Schedule and cost certainty
- Addresses project lifecycle costs (“30-year warranty”)
- Potential for innovation
- Risks allocated to the best partner
- Experience and lessons learned from past P3 Alberta procurement will be the starting point for discussions with the industry

# Potential P3 in Alberta

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- 2019 Capital Plan is investing \$24.2 billion over four years into vital infrastructure needed across Alberta
- Need to ensure projects are built cost effectively and meets needs.
- Using a general screen of \$100 million+, looking at range of P3 opportunities to support projects/project bundles. Projects currently under consideration:
  - Schools – Bundle of five schools in Edmonton/ Calgary regions
  - Highways – Widening / Upgrade Deerfoot Trail, Calgary
  - Hospitals – Edmonton Hospital

# P3 Initial Review Criteria

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- Project is sufficiently large (usually \$100 million or more)
- Facility requirements and operations can be defined as part of a contract
- Payment and/or revenue can be tied to performance
- Performance requirements are stable or predictable
- Private sector can better manage risk; such as, workforce and schedule
- Private sector has the ability to deliver
- Enough interest to generate a competitive process
- Sufficient operating period to generate savings

PROJECT	Public Sector Comparator Net Present Value	Low Bid Net Present Value	Value for Money
SE Anthony Henday Drive	\$497 M	\$493 M	\$4 M (2004 \$)
NE Stoney Trail	\$1.0 B	\$650 M	\$350 M (2006 \$)
NW Anthony Henday Drive	\$1.6 B	\$1.4 B	\$200 M (2008 \$)
SE Stoney Trail	\$1.8 B	\$769 M	\$1.03 B (2010 \$)
NE Anthony Henday Drive	\$2.180 B	\$1.809 B	\$371 M (2012 \$)
SW Stoney Trail	\$2.48 B	\$1.42 B	\$1.06 B (2016 \$)
ASAP I	\$752 M	\$634 M	\$97 M (2008 \$)
ASAP II	\$358 M	\$253 M	\$105 M (2010 \$)
ASAP III	\$332 M	\$289 M	\$43 M (2012 \$)
Evan-Thomas Water and Wastewater Project	\$62.03 M	\$59.62 M	\$2.41M (2012 \$)

# Concluding Comments

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- Not every project is a P3
- P3s provide value to Albertans for the right projects properly executed
- Alberta will continue exploring P3 opportunities where they demonstrate Value for Money