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# The British Columbia Public Private Partnership Experience

*A Presentation to Urban Land Institute - Minnesota  
Transportation P3 Conference*

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## 1. The “Road Map”

- Road and Bridge Maintenance Contracts – 1988
  - Maintenance Standards
  - Employees offered jobs on same terms and conditions (successorship)
  - More complex competitive selection process (alternative to tendering)
- Design Build
- The P3 Experience in BC
  - Projects
  - Partnerships BC Inc.

## 2. Considerations for a Successful P3



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- **Road and Bridge Maintenance Contracts – 1988**
- **Maintenance Standards**
  - Mid 1980's – limit growth of the public service
  - Restrict number of Full Time Employees (FTEs).
  - Privatize road and bridge maintenance
  - Maintenance Standards
    - “activity-based”.
    - 28 Service Areas
    - Quantities of activities
    - road patching, mowing, snow clearing, etc.
    - Contractors invited to submit qualifications and proposals for performing the work at a specific price
    - Selection based on a weighted analysis of work proposals and price proposals
- **Employees offered jobs on same terms and conditions (successorship)**



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- **More complex competitive selection process (alternative to tendering)**
- BC Legislation requires competitive tendering process
- Legislation allows Minister of Transportation to approve alternative contracting method if satisfied that it will result in competitively established costs
- The alternative process (proposals for both work and price) was approved and used for the road and bridge maintenance contracts.
- The process included a negotiation phase with the “preferred proponent”



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- **Design Build**
- **Recognize value of integrated design/construction**
- Early to mid-1990's
- Combine
  - complex competitive selection processes
  - concept of integrated design and construction contracts.
- **Required**
  - Change contract to combine standard general services agreement, used in contracting for design work, with the standard major project construction agreement
  - identify appropriate evaluation criteria
  - pricing approach that provided cost certainty to the Province



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- **Accelerated project delivery**
- Major impetus behind the introduction of design/build in BC
- Cautious approach to design/build
  - reference concept
  - “weighted” evaluation approach
- Scored numerous factors including:
  - Design (pass/fail - prescribed design criteria)
  - Contractor Team Experience
  - Key Individuals Experience
  - Guaranteed Maximum Price



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- Other Design/Build Challenges
- Federal and provincial approval processes
  - Largely designed to review a final design and accept or reject
  - Greater demand on agency time (and higher agency cost as a consequence)
  - Interaction between agency and design/build contractor (rather than agency and government)
  - Greater perceived agency risk as a consequence of participating in interim design reviews, rather than simply approving or rejecting the final design



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- **Innovation (eg. Westview Interchange)**
- Reference design and several competitors
  - Highway clearance beneath the overpass
  - Significantly raising the approaches in a high-density municipal area
  - Successful proponent – different approach
    - Lowering the highway rather than raising the overpass
    - Significantly lower cost
  - The savings realized by the Province
    - Reduced property acquisition costs
    - Earlier construction completion
    - Lower project costs





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- **Risk Transfer**
- Important consideration during planning and negotiation of design/build projects
- Unforeseen site conditions
  - Called for risk sharing arrangements
- Other risk matters
  - Risks associated with subtrade pricing
  - Passed to the design/build contractor
- Resulting benefit
  - Cost management became more relevant during the design process



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- **Coquihalla Highway (tolls)**
- Direct Route - difficult Vancouver/ Okanagan access
- Conventional design/bid/build approach
- Vancouver Expo 86
  - Accelerate Coquihalla construction
  - Funded by toll
- Late 1990s – possible P3 conversion
- Arrangement did not proceed
- Significant public opposition
- The tolls have since been removed



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- **Lions Gate Suspension Bridge**
- Major Vancouver transportation link
- Early example of the private delivery of public infrastructure
  - 1938 toll bridge - to access large West Vancouver land development
  - Acquired by Province and tolls removed
- Deteriorated Condition – replace all but towers and cables
  - Original plan - upgrade from 3 tight lanes to 4 lane tolled structure
  - Significant time and effort considering technical and legal feasibility
  - In the end, modified design/build approach selected
- Contractor - American Bridge
- Cut, remove and replace bridge segments in 32 foot sections, and have the bridge open for morning commuter traffic every day



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- **Abbotsford Hospital**
- First significant P3 in BC
- \$355 million
- UK Treasury “guidance”
  - Similar concepts and the treatment of risk and contract items
- Significant initial opposition
  - Unions not generally supportive of P3 approach
  - Project proceeded and was successful
  - Significant “value for money”
  - Supported in a review by the Province’s Auditor General.



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- **Partnerships BC Inc. (PBC)**
- Single Purpose Agency to coordinate P3 initiative
- Expected Benefits:
  - Promote P3 within BC
  - Develop “best practices” to selection processes and contracting
  - Consistent contracting
  - Consistent risk treatment
  - Develop analysis tools, such as “value for money” analysis
- Business Model:
  - Independent board of directors, appointed by the Province
  - Operates on a “fee for service” basis.
  - Review all projects over \$50 million to assess P3 potential



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- **Sea to Sky Highway – Transportation P3**
  - One of the major successes for BC
  - 2010 Winter Olympics
  - Safety and Reliability
  - \$600 million project capital budget
  - Alignment of
    - Project objectives (improved safety and reliability)
    - Evaluation criteria
    - Contract terms





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- **Sea to Sky Highway (cont'd)**
- Evaluation Criteria included:
  - Traffic Modelling to identify anticipated mobility improvements
  - Safety Improvements Formula that considered the cost of accidents of varying severity
- Compensation
  - Availability payment
  - Highway “divided” into sections – Pay for each section to be open
  - Algorithms to determine free traffic flow
  - Payment reductions if congestion
- Result
  - significant safety and mobility improvements
  - On time and within budget



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- **Port Mann/Highway 1 (“PMH1”)**
- \$2.46 billion
  - Remove and replace aging tied-arch bridge
  - 37 km of significant highway upgrades
- To be tolled using modern electronic toll technology
- Objectives - reduce congestion and travel time; improve safety and accessibility; facilitate reliable transit service HOV, cyclists and pedestrians; and potential future rapid transit
- Preferred Proponent selected August, 2008
- Financial Market challenges to completing the project as a P3
- February 2009 decision to proceed as design/build project



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- **Canada Line**
- \$1.9 billion
- P3 arrangement to construct and operate a rapid transit line
- Between the Vancouver International Airport, the City of Richmond and downtown Vancouver
- Completed prior to the 2010 Winter Olympics and is currently operating



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Photo: Meiric Preece



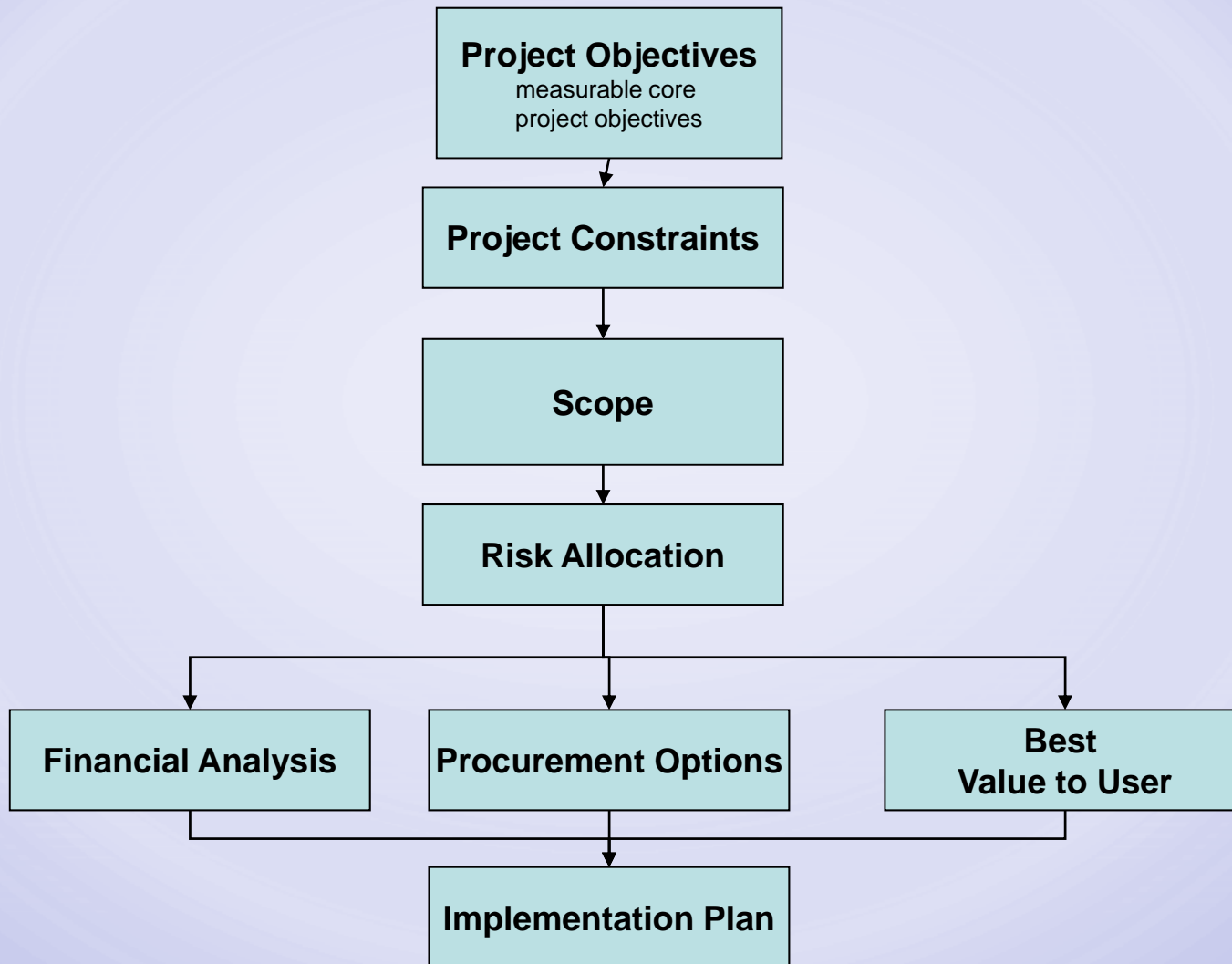
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## Major Concepts

- Deciding on P3
- Selling a Business
- Due Diligence
- Competitive Process
- Closing the Deal



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## **Selling a Business**

- Any P3 is a business
- Purchasers/Bidders will need to do all of the due diligence
- Think like a bidder – identify their issues early and decide how to address them
- What will you pay for (what has value to you?)
- What won't you pay for (Aesthetics)
- Relative value of the components (tradeoffs in scoring)



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## Due Diligence

- Previous studies
- Design work
- Property Information
- Internal Memoranda



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## Competitive Process

- Fairness
- All information necessary to provide a fully informed proposal
- Opportunity to object early to unnecessary price drivers
- Clear rules for selection



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## **Closing the Deal**

- Settle the contract up front
- Rules about what can be negotiated/discussed after selection
- How to deal with variations among proponent structures (partnership vs. corporation)
- What to do if you don't get a bid within your range



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## Who do you need

- **Legal** – but don't let them run it
- **Engineers** – they know a lot but not everything
- **Politicians** – commitment to support project; timely decision making; make decisions up front whenever possible;
- **Project Board** – Disciplined process for considering the options; making and recording key decisions (avoid revisiting decisions once made)
- **Project Team** – Best that you have – public servants who can deliver
- **Outside Advisors** – Ability to think like a contractor



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## Owner's Process Overview

Stage 1 – Project Need and Justification

Stage 2 - Business Case

Measurable  
Objectives

Initial Risk  
Assessment

Value  
Assessment

Procurement  
Approach

Marketing  
Strategy

Stage 3 – Procurement “Developing a Partnership”

Fair and  
transparent  
process

Finalize Risk  
Allocation –  
Contract

Select Preferred  
Proponent who best  
meets success measures

Stage 4 – Reaching Financial Close



Stage 5 - Implementation

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## **Managing side issues – fairness, conflicts of interest and confidentiality**

- **Fairness Reviewer**
  - Able to attend all meetings
  - Provide a report to Project Steering Committee
  - Able to raise any concerns with team prior to report – opportunity to address
- **Conflict of Interest Adjudicator and Relationship Review Process**
  - Conflicts of Interest (Actual, with recommendations for perceived or potential)
  - Unfair Advantage



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## Deal Flow

- Successful P3's require commitment from both government and industry