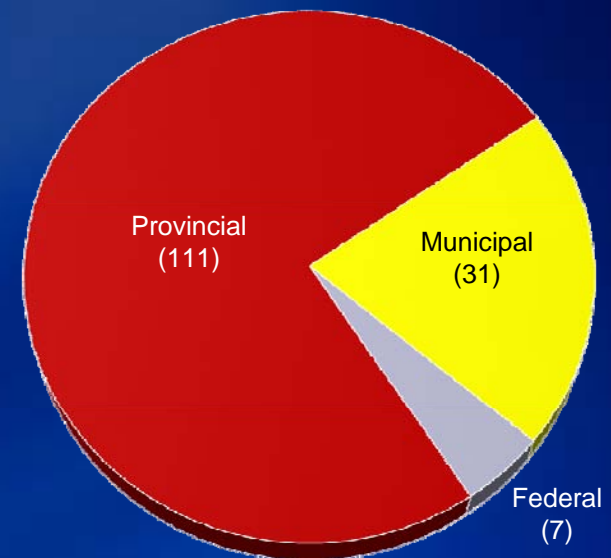


Alternative Procurement

Canadian Prevalence

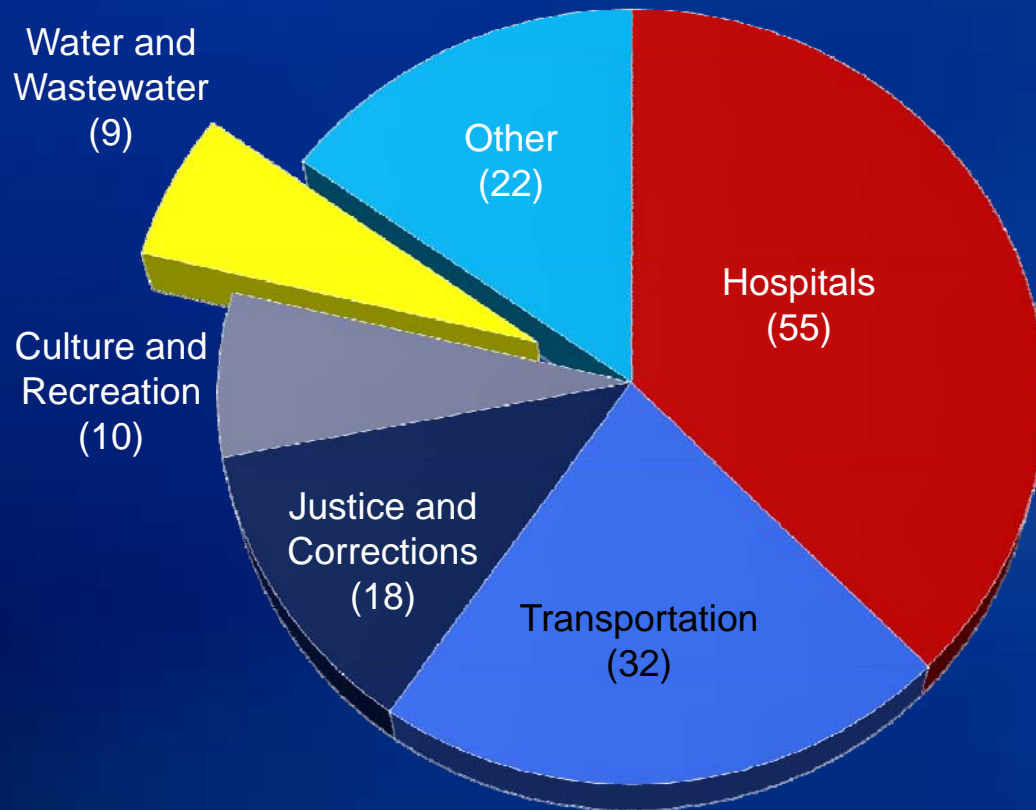


- Overall, there are more than 145 alternative procurements in Canada
- 70% of all Canadian alternative procurement projects are located in either Ontario (73 projects) or British Columbia (28 projects)
- The majority of alternative procurement projects related to Provincial infrastructure

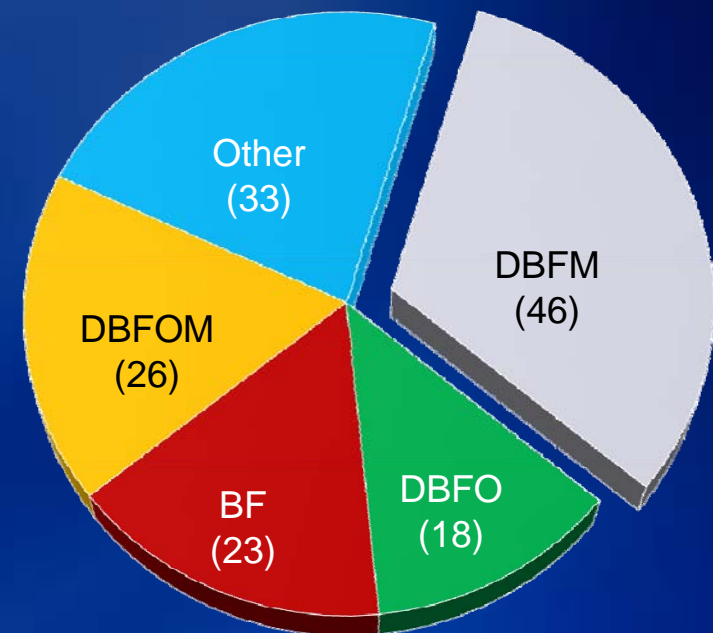


Alternative Procurement

Canadian Prevalence



- Very few alternative procurement projects involve water and wastewater infrastructure
- The majority of alternative procurements involve finance as well as some component of operations and/or maintenance



Alternative Procurement

Common Concerns

Concern	Response
P3 arrangements are more expensive than public infrastructure projects	<ul style="list-style-type: none"> • Direct costs associated with alternative procurements are generally higher than public sector costs • Need to also consider the benefit from transferring risk to the private sector
Public sector financing rates are less expensive than private sector rates	<ul style="list-style-type: none"> • Public sector rates are viewed as risk-free, which means that the municipality retains the risk • Ultimate cost may be higher if risks materialize • Selection of a procurement approach considers higher borrowing costs
There is greater accountability in a public infrastructure project than in a P3	<ul style="list-style-type: none"> • Accountability is dependent on the quality of the project agreement • Public sector retains the ability to determine and monitor performance specifications, with financial penalties for non-compliance
Private sector participants are able to abandon unprofitable projects	<ul style="list-style-type: none"> • Alternative procurement arrangements are structured so as to anchor the risk transfer through the life of the project
P3 projects fail to create local employment and economic benefits	<ul style="list-style-type: none"> • Consortium will employ local residents • Consortium may include local companies • Applicable labour requirements will be complied with
P3 projects result in private ownership of a public asset	<ul style="list-style-type: none"> • Project agreements stipulate that consortium has a license to construct/operate/maintain a facility, with ownership resting with the public sector



City of Greater Sudbury Biosolids Project

Section III – Procurement Recommendations

Procurement Strategy

Why Consider Alternatives?

- City's current procurement strategy is to go to market with optional components (potential for operating, maintenance and financing)
 - Disadvantages in going to the marketplace with "maybe's"
 - Increases complexity and time
 - Increases bidder uncertainty
 - Increases costs
- Since the commencement of the procurement process, PPP Canada has emerged as a potential funding source for the project
 - Maximum contribution of 50% of eligible planning costs and 25% of eligible capital costs
 - Eligibility requires the inclusion of either an operate/maintain or financing component
 - Original design-build approach will not meet eligibility requirements
- As part of its procurement process, the City has undertaken an evaluation of alternative procurement methods
 - Intent is to select the approach for the City that provides the best value
 - Considers both the costs and benefits of alternative procurement
 - Intended to recommend a single procurement approach