

# OPPORTUNITIES FOR INFRASTRUCTURE PARTNERSHIPS

## DISCUSSION PAPER

RT ASSOCIATES LTD.  
JUNE 2003

# TABLE OF CONTENTS

---

	<b>Introduction</b>	
2	<b>The Problem</b>	3
3	<b>A Possible Solution</b>	5
4	<b>Types of Partnerships</b>	6
5	<b>Lessons from Other Jurisdictions</b>	17
6	<b>Concepts and Issues</b>	24
7	<b>Would Partnerships Work in the NWT?</b>	30
8	<b>Opportunities for Infrastructure Partnerships</b>	32
9	<b>How Could We Make Partnerships Work?</b>	36
10	<b>Conclusions</b>	42
	<b>Next Steps</b>	43
 <b>Appendices:</b>		
1	<b>Literature Reviewed and Websites of Interest</b>	
2	<b>Interviewees</b>	
3	<b>Workshop Attendees</b>	

# I INTRODUCTION

The Government of the Northwest Territories involvement in partnership infrastructure projects has its roots in the January 1998 Budget Address of the Minister of Finance. As stated in the Address, the Government's intent was to increase investment in public infrastructure by \$100 million during 1998-99 and 1999-2000, through the use of public/private partnerships (universally referred to at the time as 'P3s'). In March 1998, the Minister of Finance announced that the GNWT would proceed with 12 P3 pilot projects, known collectively as the *P3 Pilot Initiative*.

Ultimately, only 2 projects proceeded as P3s: the Fort Smith Aurora College Student Housing project, and the Arviat Health Centre (up until transfer to the Government of Nunavut following division). However, several of the originally designated projects subsequently proceeded outside the P3 process, as capital construction projects.

In an effort to understand what happened during the P3 Pilot Initiative, the GNWT commissioned an evaluation, which was conducted in two phases by KPMG. Phase I was a formative evaluation, meaning that the overall intent of the evaluation was to promote improvement in, or further development of, the subject of the evaluation. In other words, the intent of Phase I

was to identify possible changes in policies and procedures to improve the delivery of partnership projects. In addition, Phase I included the development of an evaluation framework, to be used as the basis of the subsequent evaluation itself, during Phase II.

KPMG drew a number of conclusions from their comprehensive Phase II evaluation of the P3 Pilot Initiative, including:

- The GNWT tried to do too much, too soon.
  - Implementing P3s is a form of change management – it needs a high-powered champion.
- P3s can generate significant benefits to governments, but they are difficult to implement.
- The difficulty in obtaining sufficient numbers of high-quality bids was a major disappointment.

"IF P3S ARE TO BE CONSIDERED AGAIN IN THE FUTURE, WE WOULD SUGGEST THAT A BROADER RANGE OF POTENTIAL ARRANGEMENTS BE CONSIDERED ... AND INDIVIDUAL POTENTIAL PROJECTS BE EVALUATED MORE THOROUGHLY FOR THEIR POTENTIAL AS SUCCESSFUL P3S."

KPMG, GOVERNMENT OF THE NORTHWEST TERRITORIES  
EVALUATION OF THE P3 PILOT INITIATIVE FINAL REPORT,  
FEBRUARY 2001

If P3s are to be considered again in the future, we would suggest a broader range of potential arrangements be considered, and individual potential projects be evaluated more thoroughly for their potential as successful P3s. [KPMG 2001; pp. xii, xiii]

Nearly five years after the P3 Pilot Initiative, it may be opportune to revisit partnerships for the provision of public infrastructure. Why?

Growth. Growth, be it the result of resource development opportunities or just higher than average birth rates, puts pressure on local services and facilities. As growth occurs, governments need to build new infrastructure and expand the delivery of most services. All areas of government activity are affected by growth.

At the same time, the increased burden on existing infrastructure due to significant growth tends to quicken the ageing process, increasing the social and monetary cost of service disruptions due to maintenance, repairs or replacement. Governments can fall into a cycle of 'deferred maintenance' programs from which it is difficult to escape without access to new financial resources.

Government budgets have not kept pace with the demand for public services that characterizes growth. Out of necessity, the need to allocate scarce public funds in accordance with some type of prioritization methodology results in funding for capital projects being the first to be cut, and the last to be addressed. This 'residualization' of public infrastructure invariably leads to capital funding shortfalls which increase each year.

Accordingly, a Deputy Ministers' Task Team on *Meeting Infrastructure Requirements* was created last year, with the mandate to "identify the issues, principles and possible ways to mitigate the continuing shortfall in capital funding" [Task Team Terms of Reference]

The Task Team identified three general tasks to be completed in support of their responsibilities to Cabinet:

1. Clarify core capital needs and develop an infrastructure policy framework to address those needs.
2. Identify the potential for alternative service delivery, and the leveraging of infrastructure investments by the GNWT.
3. Identify strategies for coping with the infrastructure impacts of resource development.

This report has been prepared by RT Associates Ltd. to address the requirements of Task #2. In particular, RT Associates Ltd. was contracted to:

- Undertake a literature review on contemporary approaches to partnership initiatives;
- Assess the value of implementing these approaches in the NWT;
- Consult with community governments, aboriginal development corporations and private industry in order to identify infrastructure issues and concerns, as well as the level of interest in partnership approaches; and
- Identify potential infrastructure partnership opportunities.



THE NEW HOSPITAL IN INUVIK WAS ORIGINALLY CONSIDERED AS A DESIGN-BUILD-FINANCE-OPERATE (DBFO) PROJECT UNDER THE P3 PILOT INITIATIVE, BUT PROCEEDED AS A DESIGN-BUILD PROJECT.

In addition to the reviewed literature (Appendix 1), 50 representatives from community governments, aboriginal development corporations, the Government of the Northwest Territories, and other organizations were interviewed (see Appendix 2). Interviewees were asked about current infrastructure priorities, interest in pursuing partnerships, as well as issues and expectations in terms of addressing community or regional infrastructure needs. 27 of the 50 interviews were conducted in person, the balance by telephone.

Further, a workshop was held in Yellowknife in March to discuss partnership issues and opportunities. Workshop attendees represented a good cross-section of government and industry interests (see Appendix 3).



## 2 THE PROBLEM

In 1999 the Federation of Canadian Municipalities produced a report highlighting deficits in environmental and transportation infrastructure across Canada<sup>1</sup>. The Federation estimated that, at the time, there was an investment shortfall of \$16.5 billion in water facilities (mains, storage tanks and treatment plants) and \$36.8 billion in wastewater facilities (sewers, combined sewer and separations and treatment plants).

The Federation went on to report National Research Council estimates of investment shortfalls in municipal and regional roads of almost \$9 billion, and Canadian Urban Transit Association estimates of public transit investment shortfalls of more than \$8 billion.

As Michael Wilson, chair of the Canadian Council for Public-Private Partnerships told attendees to the Atlantic Canada Conference on Public-Private Partnerships in June 2000:

*This is in just two sectors. It does not begin to address recreation facilities, housing, utilities. Nor does it even begin to address hospitals and health care, ports, airports, national highways, bridges, schools and more.*

In the Northwest Territories, one summation of the problem is presented by the Department of Transportation, in the 2000 strategy document, *Investing in Roads for People and the Economy: A Highway Strategy for the Northwest Territories*. In this document, the Department identifies two priorities:

1. to undertake activities to maintain and preserve highways and the related support infrastructure; and
2. to reconstruct and upgrade highways.

For just these two priorities, the Department has estimated the cost to be \$196 million. Further, to upgrade and expand the NWT's highway system sufficient to provide safe and reliable access for people and to facilitate resource development will require an *additional* \$433 million over the next twenty years. [Government of the Northwest Territories Department of Transportation 2000; p. 24]

Meeting these needs with investments spread over a 20-year time period would require about \$31.5 million per year, ignoring cost of capital considerations. Yet the Department has a current funding allocation of only about \$16 million per year for this work – half of what is required.

To paraphrase Michael Wilson, this shortfall is in just one sector. Similar scenarios exist for education, healthcare, corrections, social housing and community-based infrastructure.

A review of the GNWT's most recent 20-year Capital Needs Assessment reveals total identified capital needs of about \$636 million over the next 5 years, and in excess of \$3.1 billion for the next 20 years. Summarized by department:

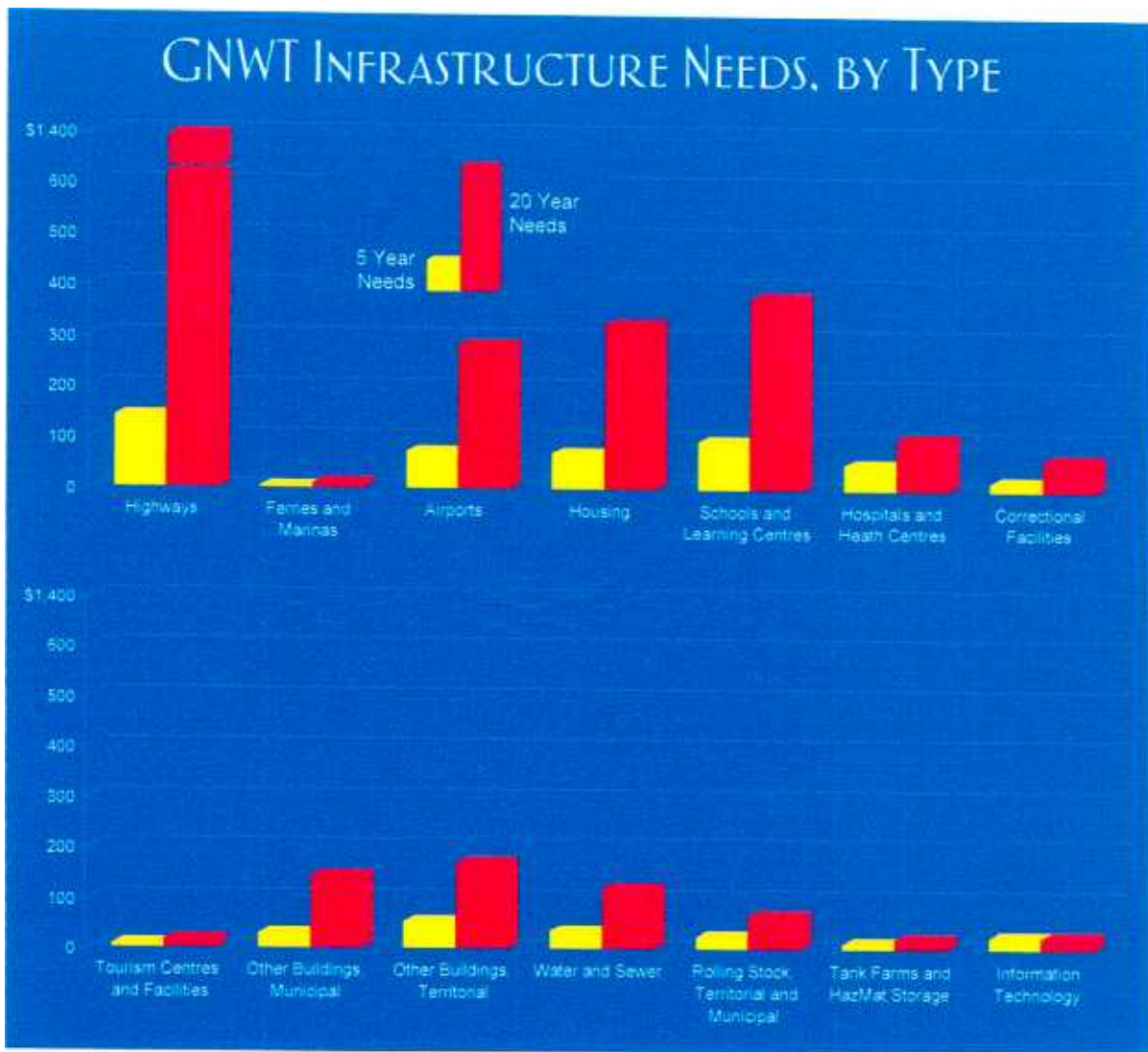
In thousands of \$	5 Years	20 Years
Health and Social Services	63,365	138,290
RWED	15,581	27,771
MACA	74,792	284,243
Public Works and Services	26,585	104,694
Justice	41,122	93,733
Transportation	228,639	1,700,595
ECE	110,317	414,737
NWT Housing Corporation	70,422	327,845
Legislative Assembly	1,810	14,310
FMBS	3,560	3,560
Totals	636,193	3,109,778

Federation of Canadian Municipalities. *Quality of Life Infrastructure Program Proposal*. Ottawa: 1999.

For our purposes, perhaps a more instructive view of GNWT capital needs emerges if these needs are categorized not by department, but by broad infrastructure types, as shown below<sup>2</sup>.

As noted earlier, the 5-year capital needs assessment amounts to about \$636 million. The largest needs are in highways, schools, social housing and airports, which together account for 60% of 5-year needs, and 76% of identified 20-year needs.

Yet in the 2003-2004 Main Estimates, the Capital Acquisition Plan identifies about \$74 million. A simple extrapolation of capital acquisition funding over 5 years at current levels yields \$370 million in allocated funding for infrastructure needs. Again, this is only about half of what is required. Clearly, other sources of funding are required for currently identified infrastructure needs.



<sup>2</sup> The GNWT Capital Needs Assessment is not disaggregated by infrastructure type. Therefore a number of assumptions have been made by the authors in order to create this view. Foremost among them is including community libraries, museums and apartment buildings with other municipal buildings.

## 3 A POSSIBLE SOLUTION

The limited success of the P3 pilot initiative notwithstanding, recent experience in many other jurisdictions suggest that private sector participation in partnerships with the public sector *can* be an effective approach to addressing infrastructure needs.

Partnership models have undergone significant evolution in the last few years, as more and more governments at all levels in many countries seek solutions to deal with increasing infrastructure needs amongst all of the other demands for public funds.

Consequently, there is now more history of successes (and failures) with partnership approaches to draw on; more experiences to share; less need to “re-invent the wheel” in light of lessons learned and passed on by others.

A history is necessary because, as Mr. David Lindsay, the President of Ontario’s Superbuild Corporation, says: “Success with partnerships comes not with the signing of the partnership agreement, or even with the initiation of the project. Success is measured in terms of the benefits that have been achieved through the partnership, but these might not be evident until 5 or even 10 years later.” [personal communication]

The literature base is growing every day. Many have contributed to the advancement of knowledge in this area, and the knowledge itself is changing, as theoretical studies undertake before the fact give way to empirical studies undertaken after the fact. We now know much more about structuring partnerships, the processes needed for creating and managing partnerships, and in particular, the allocation of risk among the partners involved. [Pearson 2001]

At the same time, experience has shown that partnerships can combine the skills and experience of the private sector with the social conscience of the public sector to create a synergistic approach to infrastructure development.



CONSTRUCTION OF THE NEW AURORA COLLEGE CAMPUS IN INUVIK WILL PROCEED AS A PARTNERSHIP BETWEEN THE GNWT, INUVIALUIT DEVELOPMENT CORPORATION, AND GWICH'IN DEVELOPMENT CORPORATION.

Perhaps more significantly, perceptions about the role of partnerships have changed in the last few years. Initially promoted as a means of saving money on infrastructure projects, the recent experiences of partnership proponents suggest that the intent of partnerships should be to use public sector funds to lever more money for infrastructure projects.

In the words of Cynthia Robertson, a past President of the Canadian Council for Public-Private Partnerships:

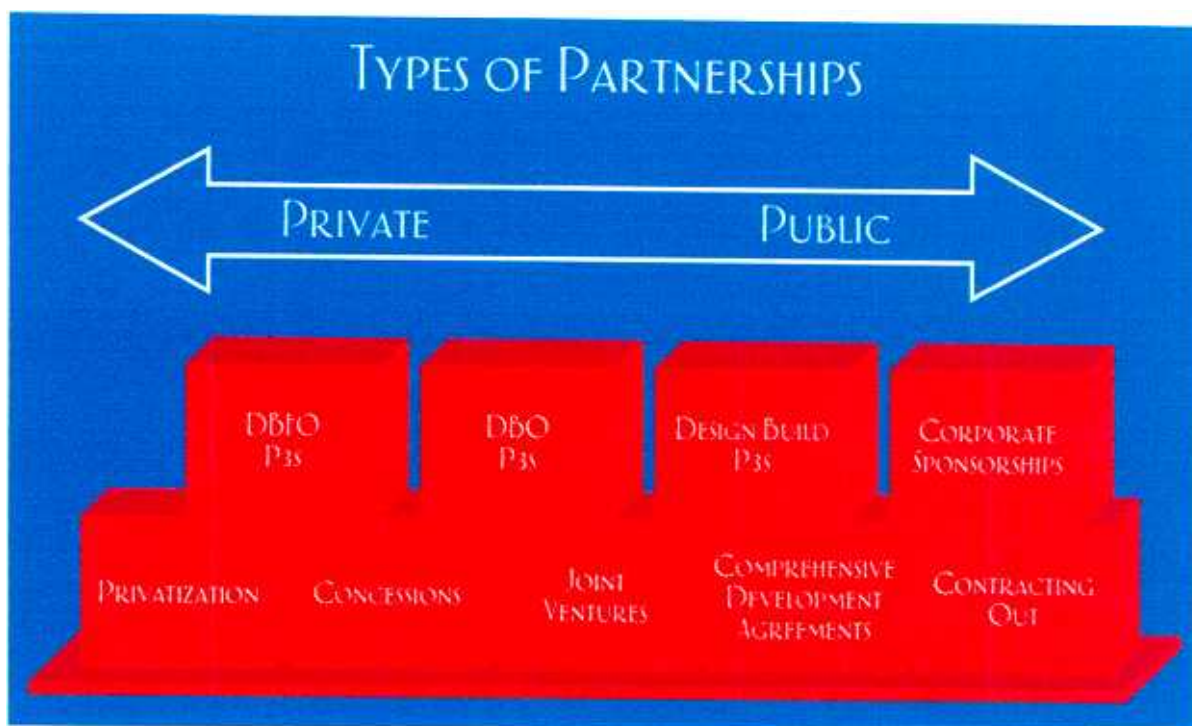
*P3s and other partnerships “must be seen as a service delivery and continuous improvement opportunity, not as a means to cut expenses from capital investment.” [Robertson 2001]*

# 4 TYPES OF PARTNERSHIPS

The ‘traditional’ way of presenting useful approaches to the construction and maintenance of public infrastructure is on a continuum, where private sector involvement/responsibility increases toward one end, and public sector involvement/responsibility increases towards the other, as shown below.

## PUBLIC-PRIVATE PARTNERSHIPS

As would be expected, the literature is dominated by research and opinions about public-private partnerships (P3s). The common perception of a P3 is a project where the private sector



The types of partnerships presented in this section include **contracting out** and **corporate sponsorships** (at the public sector responsibility end of the continuum); **privatization** (at the private sector responsibility end of the continuum); and **public-private partnerships (P3s)**, **comprehensive development agreements**, **joint ventures** and **concessions** (which fall somewhere in the middle of the continuum).

partner finances and builds a piece of infrastructure, then negotiates a multi-year operating lease with government. This is a somewhat narrow view. The Canadian Council for Public-Private Partnerships has developed a broader one:

*A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of risks, rewards, and responsibilities.*  
[www.pppcouncil.ca]



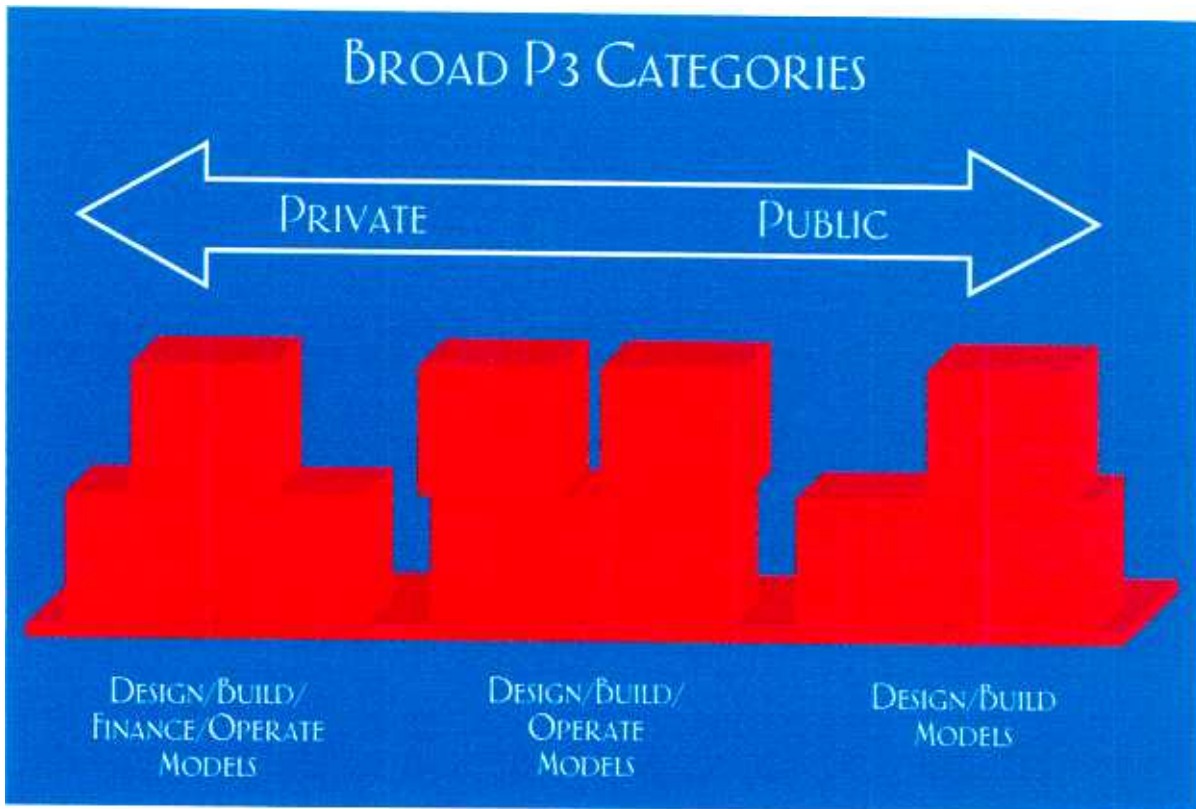
The only essential ingredient is some degree of private participation in the delivery of what would be considered to be public-domain services. [Bennett 1999]

Stephen Beatty, a senior consultant with KPMG llp, estimates that, between 1985 and 2000, there were 2,098 P3 projects initiated world-wide, at a total estimated cost of US\$907 billion. Most of these projects were in Asia (732 projects valued at US\$433 billion). Nevertheless, 44 projects<sup>3</sup> valued at US\$18 billion were implemented in Canada during this same timeframe. [Beatty 2001]

of – as noted in the above definition – the allocation of risks, rewards, and responsibilities.

For our purposes, we have adopted the P3 classification schema of Will Lipson, KPMG [personal communication], who believes that all P3 configurations can be reduced to three broad categories (largely because the issue of transfer of ownership to the public sector, which differentiates some models in the literature, is a non-issue):

**Design-Build models.** Under a design-build partnership approach, government contracts with a private partner to design and build a facility that conforms to



The literature is replete with discussions of different classification schemas for P3s [Allan 1999], and up to 10 different models of P3s [e.g., Government of B.C. Ministry of Municipal Affairs 1999], the distinctions being mainly ones

specified standards and performance requirements. Once the facility has been built, the government takes ownership and is responsible for the operation of the facility. Access to private sector experience, plus the opportunity to implement innovative design and/or construction methods are oft-cited advantages of a design-build approach [Government of

---

<sup>3</sup> 19 water and wastewater projects; 14 road and rail projects; 8 power production projects; and 3 airport/seaport projects.



B.C. Ministry of Municipal Affairs 1999] In addition, the design-build contract is very often a fixed-price contract, which protects the public partner against cost overruns. [Cole Associates Ltd. 1997]

2. **Design-Build-Operate (DBO) models.**

The government contracts with a private partner to design and build a facility, with the proviso that the public partner will negotiate a long-term operating lease with the private partner, during which the private partner has an opportunity to recover its investment and a reasonable rate of return, in addition to compensation for ongoing O&M costs. Under a DBO model, the private sector partner assumes the risks associated with operating the facility, but very little financial risk, as the long-term lease forms the basis for seeking financing from a third party.

3. **Design-Build-Finance-Operate (DBFO) models.**

The DBFO model is very much like the DBO model, except that more financial risk is assumed by the private sector partner. The DBFO model would be used in situations where the government is not the only user or tenant, and there would be opportunities for the private sector party to attract an additional revenue stream, for example from other organizational users, or perhaps user fees paid directly by consumers. Proponents of DBFO models maintain that this ensures the most efficient and effective facility is constructed, because, a) the needs of a variety of end users must be considered in the design and construction of the facility; and b) the private sector partner has an incentive to minimize life-cycle costs. In return, the community is provided with a multi-use facility, without large up-front capital outlay and/or incurring of long-term debt

As the reader may correctly infer from the above categorization of P3 models, there would appear to be a very close relationship between the struc-

ture of a partnership and the allocation of risk between the partners. In the words of one P3 expert:

*The specification of the desired allocation of risk will largely determine the structure of the partnership.* [Allan 1999]

The major categories of risk are:

- Design and construction risks;
- Commissioning and operating risks respecting availability, operating costs, performance, and maintenance;
- Demand risks relating to utilisation;
- Risks respecting residual values;
- Risks resulting from obsolescence or changes in technology;
- Regulatory risks, including changes in taxation; and
- Financing risks. [Allan 1999: p.15]



THE FORT SIMPSON VISITOR'S CENTRE HAS SUFFICIENT OFFICE AND BOARDROOM SPACE THAT IT COULD BE A MULTI-USE FACILITY FOR ORGANIZATIONS BASED IN FORT SIMPSON.

**Advantages of P3s:**

In general, the advantages cited most often in the literature about P3 models, and in particular the DBO and DBFO models include:

- Partnering allows the public and private sector partners to focus on their respective responsibilities and strengths. [Business Council of BC 2002]
- DBFO P3s (as well as DBO P3s) are an effective way to bring private money into the construction of new infrastructure facilities or into the substantial renovation of existing ones.
- P3 agreements tend to reduce market and credit risks for the private sector be-

cause the government is the major customer (sometimes the only customer), reducing the risks associated with insufficient demand and ability to pay.

- P3s have been used in virtually all of the provinces and territories of Canada. [Beatty 2001] This history of P3 projects in Canada means that potential financial partners and operators have less of a learning curve to climb in structuring such transactions.

**Disadvantages:**

DBO and DBFO partnership models are not universal solutions to the construction and operation of public infrastructure. The most often cited disadvantages of these types of arrangements include:

- P3s generally involve only one facility, which limits the private sector partner's ability to help optimize system-wide resources or efficiencies. [Allan 1999] P3s provide some competitive incentives for efficiency since private companies must compete to win the contracts. However, the

length and complexity of most P3 projects make these contracts difficult to design, a fact that often negates the positive effects of the initial competition. [Caplan 2001]

Choosing among the P3 variants depends upon a number of issues, including the:

- Degree of control desired by the government;
- Ability of governments and private parties to provide the desired services;
- Legal frameworks for private investment and regulatory oversight; and
- Availability of financial resources from the public and private sectors. [Bennett 1999]

There would appear to be a strong consensus in the literature that the P3 is best partnership model for governments to:

- Institute the user-pay principle for new infrastructure;
- Leverage private sector investment;
- Obtain facilities at lower cost in shorter time-frame; and
- Transfer risk. [Pearson 2001]

To this, we would add one more suitable situation: where there is an opportu-

**THE DEH CHO BRIDGE: A PARTNERSHIP IN ACTION**

THE DEH CHO BRIDGE CORPORATION LTD. IS PROPOSING TO DESIGN, FINANCE, CONSTRUCT AND OPERATE A BRIDGE ACROSS THE MACKENZIE RIVER ON THE YELLOWKNIFE HIGHWAY AT FT. PROVIDENCE. THIS WOULD BE DONE IN PARTNERSHIP WITH GOVERNMENT, INDUSTRY, INVESTORS AND FINANCIAL INSTITUTIONS.

THE CORPORATION WOULD RAISE SUFFICIENT EQUITY AND DEBT FINANCING TO DESIGN, FINANCE, BUILD AND MAINTAIN THE BRIDGE TO AGREED STANDARDS (A DBFO MODEL). THE GNWT WOULD ENTER INTO AN AGREEMENT FOR A 35 YEAR CONCESSION PERIOD WITH THE BRIDGE CORPORATION. DURING THIS PERIOD, THE GNWT WOULD COMMIT TO A PAYING CONTRIBUTION FROM ONGOING FERRY/ICE BRIDGE SAVINGS. THE GNWT WOULD ALSO AGREE TO COLLECT AND PAY A TOLL ON COMMERCIAL VEHICLES CROSSING THE BRIDGE.

ACCORDING TO THE PROPONENTS, THE PROJECT OFFERS A NUMBER OF ADVANTAGES, NOT THE LEAST OF WHICH IS A NORTHERN SOLUTION WITH SIGNIFICANT ECONOMIC SPIN-OFFS, INCLUDING DIRECT AND INDIRECT FISCAL BENEFITS FROM THE BUSINESS AND EMPLOYMENT INCOMES GENERATED BY CONSTRUCTION.

DEH CHO BRIDGE CORPORATION LTD. FORT PROVIDENCE - DEH CHO BRIDGE FACT SHEET, NOVEMBER 2002.

nity to convert the provision of a public service into a business. [Beatty 2001]

## CONTRACTING OUT

Contracting out (or 'outsourcing') is a familiar practice in the public sector, but is not necessarily considered a partnership approach. It perhaps should be, because such contracts are – with reference to the definition of P3s adopted by The Canadian Council for Public-Private Partnerships – cooperative ventures, taking advantage of the contractor's expertise, and structured to meet clearly defined public needs. The private contractor does not typically have a relationship with the end-users and all financial interactions are made directly with the government. [Bennett 1999]



FOUR YEARS AGO, THE TOWN OF INUVIK DISBANDED ITS PUBLIC WORKS DEPARTMENT IN FAVOUR OF CONTRACTING OUT. THE TOWN IS RE-EXAMINING THAT DECISION. BUILDING AND UTILIDOR MAINTENANCE IS NOW DONE BY MUNICIPAL STAFF.

That risk and responsibility remain with the public sector partner limits contracting from consideration as a 'true' partnership. Nevertheless, the advantages cited in the literature with respect to contracting out suggest that this form of working with the private sector to deliver public services is a logical stepping stone to partnershiping,

because of the opportunity to build capacity in the private sector.

### Advantages of Contracting:

- Service contracts provide a relatively low-risk option for expanding the role of the private sector, and going through the process of awarding them helps governments gain a more complete understanding of their infrastructure systems.
- Service contracts have great potential to provide better system operation, allowing the government to obtain improvements in performance and efficiency through technology transfer and the acquisition of technical and/or managerial capacity.
- Contracts are generally the most competitive form of delivering public services. Since the contracts are reissued frequently, contractors should be under continuous pressure to keep costs low. Also, because contracts are limited in scope, the barriers to entry are fairly low. For example, more businesses have the capacity to install water meters or repair water pipes than to operate an entire urban water system. This not only increases competition, but also provides a greater opportunity for the government to award the contract to a local business without sacrificing cost or quality. [Allan 1999]

### Disadvantages:

- Service contracts do not involve significant infusions of private capital, nor do they necessarily create a base from which to optimize entire infrastructure systems. As a result, the contractor's effectiveness in improving the service performance is limited by the government's ability to provide the necessary capital investments and direction.
- Service contracts leave the government in charge of many of the most explosive political issues – the fee imposed for services and the ownership of the underlying assets. Therefore, they do little to



separate the operator from political intervention.

- Municipalities are often under pressure to award service contracts to the lowest bidder without considering the businesses' ability to provide high quality service. This can stifle the private sector's incentives to propose innovative solutions to providing the service both during the bidding process and during service provision. [Montague 1999]

## CONCESSIONS

Under a concession, the government awards the private contractor (concessionaire) full responsibility for the delivery of infrastructure services in a specified area, including all related operation, maintenance, collection and management activities. The concessionaire is responsible for any capital investments required to build, upgrade, or expand the system, and for financing those investments out of the tariffs paid by the system users. The public sector is responsible for establishing performance standards and ensuring that the concessionaire meets them.

In essence, the public sector's role shifts from being the provider of the service to the regulator of its price and quantity. The fixed infrastructure assets are entrusted to

the concessionaire for the duration of the contract, but they remain government property. Concessions are usually awarded for time periods of over 25 years. The duration depends on the contract requirements and the time needed for the private concessionaire to recover its costs.

The private sector operator is responsible for all capital and operation costs – including infrastructure, energy, raw materials, and repairs during the contract life. In return, the private operator collects the tariff directly from the system users. The tariff is typically established by the

concession contract, which also includes provisions on how it may be changed over time. [Bennett 1999]

In essence, a concession can be viewed as a 'bundling' of projects to create a DBFO-type of partnership on a regional (or geographically larger) basis.

### Advantages:

- Concessions are an effective way to bring private money into the construction of new infrastructure facilities or into the substantial renovations of existing ones.
- Combining the responsibility for investments and operations gives the concessionaire strong incentives to make efficient invest-

ment decisions and to develop innovative

**PORT HARDY WATER TREATMENT FACILITY: A DESIGN-BUILD-OPERATE CONCESSION**

IN ORDER TO ADDRESS POOR WATER QUALITY CONCERNS, THE DISTRICT OF PORT HARDY IN B.C., WANTED TO EXPLORE BETTER WATER TREATMENT OPTIONS AND FINANCIAL PARTNERSHIPS WITH PRIVATE ENTERPRISE.

THE DISTRICT SIGNED A 20-YEAR PERFORMANCE CONTRACT IN 1999 WITH AQUALTA CORPORATION (NOW IPCOR) TO DESIGN, BUILD AND OPERATE A WATER TREATMENT FACILITY AND RELATED WATERWORKS INFRASTRUCTURE. FINANCING WAS ARRANGED BETWEEN THE DISTRICT OF PORT HARDY AND AN INTERMEDIARY LEASING COMPANY, WITH GUARANTEES PROVIDED BY THE PROVINCIAL GOVERNMENT.

IPCOR IS RESPONSIBLE FOR ALL TECHNOLOGICAL PERFORMANCE. IT ALSO PROVIDED A COST GUARANTEE FOR THE LIFE OF THE CONTRACT, AND RECEIVES INCENTIVES FOR OPERATING COST SAVINGS. THE DISTRICT OF PORT HARDY IS RESPONSIBLE FOR REVENUE COLLECTION FROM USERS.

THE CANADIAN COUNCIL FOR PUBLIC PRIVATE PARTNERSHIPS, 100 PROJECTS: SELECTED PUBLIC-PRIVATE PARTNERSHIPS ACROSS CANADA, P. 29.

technological solutions, since any gains in efficiency will directly increase profits.

- Concessions are less prone to political interference than government-operated utility services because the service stays under the same operator regardless of changes in political positions. [Bennett 1999]

#### Disadvantages:

- Large-scale concessions can be politically controversial and difficult to organize. In particular, concessions often suffer from a failure to undertake sufficient dialogue and joint planning prior to entering into binding contractual commitments.
- Although concession contracts specify performance targets, price adjustment mechanisms, and service standards, governments generally find that they need to regulate concessions. This often requires governments to expand significantly their regulatory capacity.
- It is difficult to set bidding and contractual frameworks for concessions that are likely to evolve over a period of 25 years or more. No one can predict in advance – with the level of certainty applied in traditional public sector bid specifications – the most efficient and effective ways to provide the desired service over that period of time.

## CORPORATE SPONSORSHIPS

Corporate sponsorships are a very controversial issue in virtually every city that allows them [Whitnall 1997]. In Canada, large private companies pay millions of dollars for corporate sponsorship, supporting everything from sports arenas and teams to performing arts theaters. These sponsorships have been viewed as commercial transactions and as such were never under the scrutiny of the public eye. In many cases, these business transactions made good business sense: from an advertising and community support perspective, sponsorships often cost no



THE TOWN OF INUVIK HOPES TO USE CORPORATE SPONSORSHIPS AND OTHER DONATIONS TO FUND UP TO \$2 MILLION OF THE ESTIMATED \$6-7 MILLION COST OF ITS PROPOSED NEW FAMILY CENTRE.

more than normal conventional commercial product promotion and advertising.

When sponsorship enters the public sector arena, it becomes a totally different matter. Municipalities must demonstrate that corporations tastefully can lend name and logo to parts of buildings, programs and other assets. The sponsorships must be discreet, of high quality and governed by a signed agreement clearly defining the direction of both parties. [Whitnall 1997]

Indeed, the Town of Inuvik has recently launched a comprehensive and sophisticated campaign to attract corporate sponsorships for its proposed new Family Centre. A Family Centre Sponsorship and Gift Book describes the pro-



ject and its importance to the community, and illustrates 21 different sponsorship opportunities. For \$3,000, a sponsor can have its corporate name and logo on the door to the First Aid Room. At the other end of the sponsorship spectrum, for \$250,000, a corporate sponsor will have the Family Centre named after it.

David Lindsay: in a municipal context, businesses that would not look at a DBFO project may often be willing to provide a substantial donation to that project, because of their assessment of the risks entailed in the former versus the latter type of participation. [personal communication]

Corporate sponsorship is an extremely competitive domain. Companies are overwhelmed with proposals, and must be approached with strong business cases and in a professional manner. [Heritage Canada 2002]

As a source of funds for public infrastructure, corporate sponsorships have been used successfully for recreation programs and maintenance, buildings, parks, and information technology upgrades. [Whitnall 1997]

Are corporate sponsorships appropriate for other forms of infrastructure? In a complimentary study on coping with the infrastructure impacts of resource development – directed by Yellowknife-based Terriplan Consultants Ltd. – it was noted that “corporations tend to support more social or human services than physical infrastructure”. [Kupfer 2003; p. 6] Further, some corporations that had provided infrastructure in aboriginal communities believed that there were “more appropriate ways to provide benefits to

residents and aboriginal communities – mainly through training, employment, business opportunities, and by supporting schools and educational programs.” [Kupfer 2003; p. 12]

## COMPREHENSIVE DEVELOPMENT AGREEMENTS

Comprehensive development agreements (CDAs) are agreements between a municipality and a developer under which the developer, in exchange for development approval, agrees to provide specific on- or off-site works and/or amenities for the broader community.

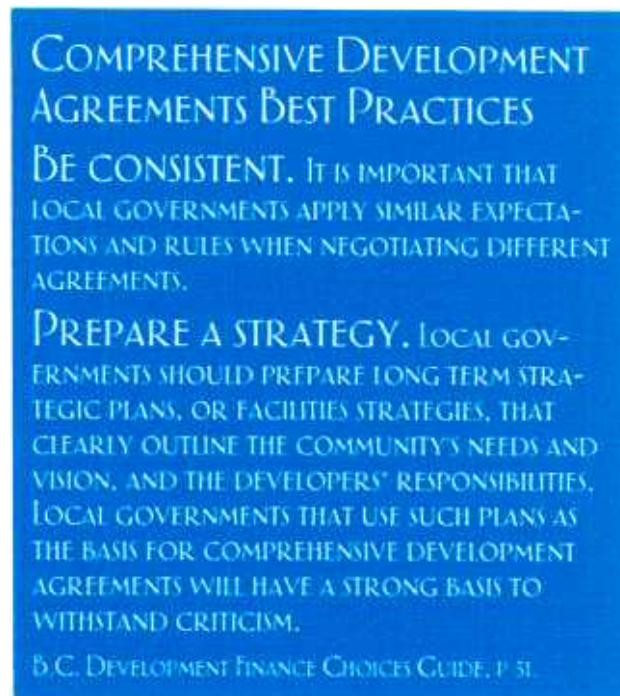
The works and amenities provided through a CDA are over-and-above the services that would be required to facilitate development of the particular site, and that would be secured through development works agreements, development cost charges and other finance tools.

Specific types of works and amenities

that might be secured through a CDA would include:

- social housing;
- libraries;
- fire halls;
- greenspace development (e.g., parks, walkways and trails). [Government of B.C. Ministry of Municipal Affairs 2000]

The rationale for CDAs is that new development should, to the extent possible, have a neutral impact on municipal services. CDAs are used by



many municipal jurisdictions in Canada to obtain contributions from developers toward community works and amenities, in exchange for development approval, thus helping to achieve the desired neutral impact on municipal services.

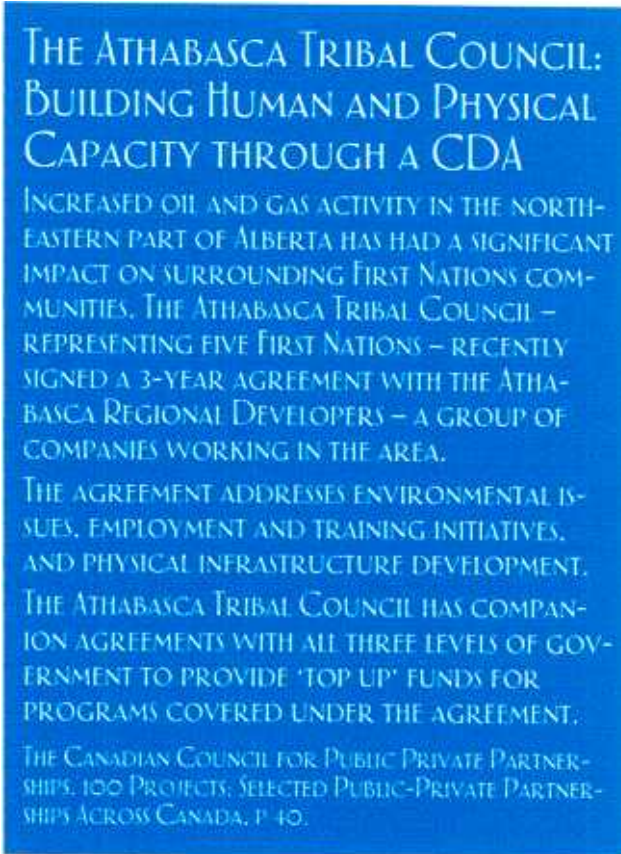
CDAs, by necessity, are negotiated on a case-by-case basis. Factors such as changing economic conditions, variable city-developer relations and the specific needs of the local community serve to make each development project distinct. Notwithstanding the uniqueness of each case, it is important for a municipality to adopt a consistent approach to CDAs. Such an approach reduces uncertainty for developers which, in turn, reduces transaction costs associated with the negotiating process. [Government of B.C. Ministry of Municipal Affairs 2000]

The Town of Inuvik is very aware of the potential infrastructure contributions that may come with a Mackenzie Valley pipeline, citing “increased access to hydro-electrical sources, natural gas, fibre optics and gravel resources” as just some of the benefits that may result<sup>4</sup>. The idea of a comprehensive development agreement between pipeline developers and Beaufort-Delta communities is very appealing to Inuvik’s civic leaders, but the point was made during consultations that the benefits that might accrue to communities under such an agreement would likely

Excerpted from the planned agenda for the Inuvik Petroleum Show, scheduled for June 18-19, 2003.

be secondary to the developers’ own needs. That is, the developers would be willing to invest in such infrastructure as hydro-electric development or the development of gravel resources if it proved to be a cost-effective solution to pipeline-specific needs.

A CDA would help to ensure secondary benefits to communities from such infrastructure development. This confirms Kupfer’s observation that corporations will invest in infrastructure that they need for a particular project [Kupfer 2003; p. 5]



### JOINT VENTURES.

Joint ventures can be undertaken between public sector partners, or between public sector partner(s) and private sector partner(s).

Joint venture partnerships are alternatives to full privatization in which public and private organizations assume co-responsibility and co-ownership for the delivery of infrastructure services. Under a joint venture, the partners can either form a new company or assume joint ownership of an existing company. [Bennett 1999]

Joint ventures are useful when all partners have an expectation of benefit - be it profit, an economic or a social return. Under a joint venture, the public and private sector partners must work together from the earliest possible stages (i.e., often right from the pre-feasibility stage.

Typically they're used when shared use is required to make the project financially viable, or



there are opportunities for complementary revenue-producing businesses side-by-side with the provision of public services. Joint ventures are characterized by a sharing of the financing requirements, and a sharing of any revenues that might accrue. [Caplan 2001]

- Early participation by the public and private sector partners allows for greater innovation and flexibility in project planning and helps ensure that both the public and private partners are able to optimize their goals.

**Advantages of Joint Ventures:**

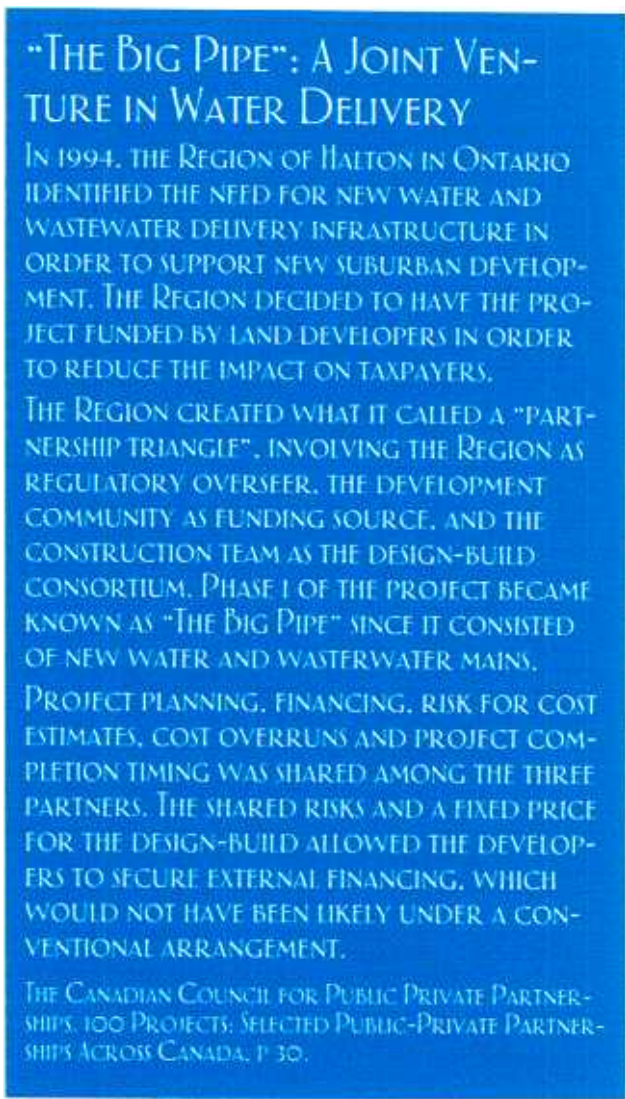
- Joint ventures combine the advantages of the private sector with the social responsibility and job generation concerns of the public sector.
- Under a joint venture, both the public and private sector partners have invested in the company and therefore both have a strong interest in seeing the venture work. This often allows for better conflict management.
- Full responsibility for investments and operations gives the public and private sector partners a large incentive to make efficient investment decisions and to develop innovative technological solutions, since any gains in efficiency will directly increase their profits.

**Disadvantages of Joint Ventures:**

- In some cases local government shareholders also have regulatory responsibilities, which can lead to a conflict of interest for the municipality in maintaining both public accountability and an eye on maximizing returns to the venture. This can increase the risk of political interference and reduce potential gains from private sector management.
- Private sector organizations tend to focus on the "bottom line". Governments focus on the process. These differences are often manifested in the timetables each sector con-

siders reasonable and can create barriers during the project development phase. [Bennett 1999]

An important point to keep in mind about joint ventures is that the early involvement of both parties that is required for joint ventures typically precludes the use of traditional public ten-



der procedures and promotes the use of alternative procedures such as direct negotiation. This can raise concerns about transparency, which could affect acceptability and additional private sector investment. [Bennett 1999]

- Maintain or enhance safety
- Improve customer service
- Invest where needed
- Improve operational efficiency; reduce overhead
- Reduce bureaucratic restraints

## PRIVATIZATION

Privatization is the process of transferring ownership of a public good or service to the private sector. [Allan 1999]

Privatization is not a partnership, but is included because in one particular case that has implications for how public services are delivered, privatization lead to a particularly intriguing type of partnership: the **consumer services corporation**, a name given to the organization that is Nav Canada.

“NAV CANADA IS THE IDEAL PUBLIC PRIVATE PARTNERSHIP: PRIVATE CAPITAL, CONSUMER-DRIVEN GOVERNANCE AND CONSUMER-DRIVEN MANAGEMENT ARE RUNNING AN ESSENTIAL PUBLIC SERVICE FORMERLY OPERATED BY THE GOVERNMENT.”

ANTHONY FELL, 2002

The key point to make about consumer services corporations is that it is very much a **bottom-up approach**. In other words, the consumers of the services provided by the organization – not government, not industry per se, drive the model.

Nav Canada purchased and operates the air navigation system that used to be part of Transport Canada. Nav Canada is a non-share capital corporation. This means that no one owns equity in Nav Canada. The corporation is capitalized as a public debt issuer in the capital markets, with some \$2 billion in fixed income securities. [Crichton 2003]

What makes Nav Canada unique is that consumers – users of Nav Canada’s air navigation services – play a prominent role on Nav Canada’s Board of Directors. In the words of John Crichton, the President and CEO of Nav Canada, the rationale for a consumer services corporation is: *user pay – user say*. [Crichton 2003] Crichton goes on to enumerate the advantages of a consumer services corporation:

- Separate system operator from regulator

## 5 LESSONS FROM OTHER JURISDICTIONS

There are lessons to be learned from virtually all of the articles reviewed, many of which have been incorporated into the material presented in the previous chapter. This chapter presents examples from other jurisdictions, chosen to highlight important lessons:

1. England's Private Finance Initiative: optimizing the sharing of risk with the private sector;
2. Ontario's Superbuild Corporation: organizing to give capital spending a higher profile;
3. Vancouver Airport Services Ltd.: taking a private sector approach to the delivery of public services;
4. New Zealand's Westland District Council: matching costs to benefits in an effort to identify who should pay for what public services;
5. the United Nations' Public-Private Partnerships for the Urban Environment: using international expertise to build leadership and capacity at the community level; and
6. the Emerging Africa Infrastructure Fund: mobilizing and consolidating financing to facilitate the construction of community infrastructure.

### HARNESSING PRIVATE SECTOR STRENGTHS: ENGLAND'S PRIVATE FINANCE INITIATIVE

Arguably no jurisdiction has made greater use of partnerships than England. Faced with a growing need for new and renewed infrastructure concomitant with a desire to keep public spending under control, the then Conservative government

to introduce the Private Finance Initiative (PFI) in 1992. When the Labour government came to power in 1997, they continued the PFI. There were three fundamental types of PFI projects:

1. projects undertaken by the private sector with cost-recovery by means of user-charges imposed on the final user;
2. projects involving the sale of services to the public sector, with costs being recovered from the relevant public body or bodies by these sales or lease proceeds (e.g., privately financed prisons and the provision of rolling stock to state railroad lines; and
3. joint ventures, where the cost of the project was met partly from public funds and partly from private sources, with overall project control resting with the private sector. [Allan 1999: 10]

Early projects focused on the transportation sector, but a year later the government announced that National Health Service organizations would no longer have access to public funds for capital projects unless they could show that they had carefully explored PFI options and found them to be impractical. [Montague 1999]. Today, Partnerships UK, the organization that promotes and constructs partnership deals, is involved in virtually all public infrastructure requirements<sup>1</sup>.

---

Partnerships UK is a public private partnership with a public mission. It has been promoted by the Government to take forward and expand the initial work undertaken in-house by the UK Treasury, in developing public-private partnerships. Partnerships UK is not an adviser. It acts as a 'partnership developer', working in partnership with public bodies to promote and construct partnerships with the private sector.



In the early days of the PFI, emphasis was placed on *shifting* risk to the private sector. But over time, it became evident that the best value-for-money could be achieved by pursuing the *optimal allocation of risk*, with each partner taking on the particular risk that it was best able to manage [Allan 1999; p. 15]

It is important to note that the PFI does not result in new investment for infrastructure. The public authority will ultimately pay back the private consortium the money it has borrowed, interest on the loan and also shareholder profits.

[Rowland 2002]

However, Bennett Jones LLP, in a 2001 study of the Private Finance Initiative for the Ontario Hospital Association, discovered that the risk-adjusted cost of capital was in fact less than the public comparator. Their research led them to conclude that, following the introduction of the Private Finance Initiative, financing rates became more competitive as P3 markets matured. [CCPPP 2002]

England's experience with the PFI has much to teach about risks and rewards in partnerships. From the Partnerships UK website:

*Above all, PPPs are about making the best possible use of taxpayers funds. Experience has taught us that excessive risk transfer is not smart - either the bidders will charge an excessively high risk premium or they simply balk at accepting the risk altogether. We seek optimal, not maximum, risk transfer.*

Another of the lessons to be learned from the PFI is that the structure has to be simplified and responsibilities made clear. It was acknowledged that departments and agencies had to be ac-

countable for their procurement decisions, but the complexity of many PFI transactions required a level of commercial knowledge and experience that was in short supply in the relevant public agencies.

Another requirement evident in the early stages of the PFI was the need to transform roles, responsibilities and thinking within the public sector. The successful exploitation of public-private partnerships requires that government bodies change from being the owners and operators of assets into intelligent purchasers of long-term services. [Allan 1999; Bennett 1999]

“EXPERIENCE HAS TAUGHT US THAT EXCESSIVE RISK TRANSFER IS NOT SMART - EITHER THE BIDDERS WILL CHARGE AN EXCESSIVELY HIGH RISK PREMIUM OR THEY SIMPLY BALK AT ACCEPTING THE RISK ALTOGETHER. WE SEEK OPTIMAL, NOT MAXIMUM, RISK TRANSFER.”

PARTNERSHIPS UK WEBSITE

After a decade of involvement with the PFI, the UK government is taking a more strategic approach to the use of public-private partnerships. This means that, rather than considering every infrastructure construction project to be a potential partnership with the private sector, senior

staff in Partnerships UK are looking at particularly for those projects that offer the best value for money.

*We now see PPPs not only as a way of boosting investment in public infrastructure but also as an essential part of the Government's continuing mission to modernise the public sector - so [PPPs] have acquired a strategic as well as just a financial dimension. [Partnerships UK website]*

## ORGANIZING TO ENCOURAGE PARTNERSHIPS: ONTARIO'S SUPERBUILD CORPORATION

The Ontario SuperBuild Corporation was created in December 1999, in response to the Ontario Jobs Investment Board's Report, *A Road Map to Prosperity*. In the report, the Board called attention to the province's growing infrastructure deficit. The government responded by creating the SuperBuild Corporation: a \$20 billion, five-year initiative to address Ontario's infrastructure needs and meet the economic challenges of the new millennium. These goals will be accomplished through innovative partnerships with the public and private sectors.

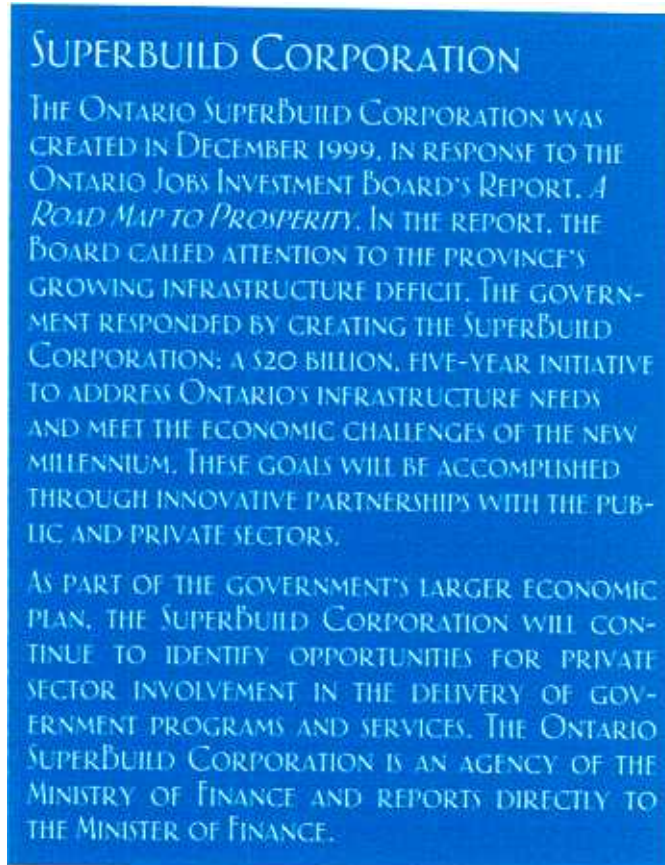
Proponents of P3s argue that partnering can alleviate chronic under-investment that arises because capital spending tends to have a lower political priority than expenditures on current services. [Business Council of BC 2002]. According to the President of Superbuild, one of the objectives of the Government of Ontario in establishing Superbuild Corporation was indeed to give a higher priority to capital spending by the Province. Indeed, Mr. Lindsay contends that the main goal in creating the Superbuild Corporation was to provide a strategic focus for capital spending, and secondarily, to bring more innovative financing approaches to bear in address-

ing Ontario's infrastructure deficit. [personal communication]

One of the early challenges for Superbuild was how to bring private sector expertise into the 'P3 system' on the public side. Through experience, Superbuild's senior staff have come to the realization that it is better to use private sector P3 expertise on an as-need basis through consulting contracts, rather than attempt to staff an internal unit.

Another lesson learned by Superbuild senior staff is – in DBFO projects – not to fixate on capital costs, but rather, to remember that such projects will often last 25-30 years, and more often than not, will entail substantially more

in O&M expenditures over that period than the initial capital outlay.



## MORE EFFECTIVE AND EFFICIENT AIRPORT MANAGEMENT: VANCOUVER AIRPORT SERVICES LTD.

In 1991 the Auditor General raised the issue of federal Transportation Department spending on airports. From 1992-1993, Transport Canada studied the feasibility of privatizing the airport system, and in 1994 announced the *National Airport Policy*, designed in part to transfer airport operations to local authorities. The intent of the NAP was to reduce costs and improve effi-



ciencies by changing the role of the federal government from airport owner and operator, to that of owner and landlord (although the federal government would maintain its role as airport regulator). Pursuant to the NAP, the federal government retained ownership of the 26 large airports identified as part of the National Airports System. However, these airports were to be leased long-term to Canadian airport authorities, that would be responsible for financial and operational management. (Ownership of regional/local and other smaller airports would be transferred to regional interests.)

Vancouver International Airport was one of the four original airports to move to privatization, together with Calgary, Edmonton and Dorval in Montreal. Since 1992, Vancouver International Airport has been operated by the Vancouver International Airport Authority – a community-based, non-share, not-for-profit organization.

The Vancouver International Airport Authority later established a subsidiary company – YVR Airport Services Ltd. (YVRAS) – to market its management expertise, operating philosophies and operating systems around the world. VRAS now operates 14 airports in: Santiago, Chile; the Dominican Republic (four airports); Montevideo, Uruguay;

Turks & Caicos; Bermuda; Jamaica, and five airports in Canada, including Cranbrook, Kamloops, Fort St. John, Hamilton, and Moncton.

VRAS makes substantial investments in upgraded airport infrastructure, and makes a profit from its airport operations. ‘Traditional’ revenue streams available to VRAS include airline user charges (e.g., landing fees, concession fees and

leasing space inside an airport) and airport improvement fees (paid by all passengers passing through the airport). However, the operating philosophy introduced by the Vancouver International Airport Authority, and now marketed by VRAS, is to identify and exploit non-aeronautical revenue streams. The two best examples of these are creating and leasing retail space inside an airport (shops, restaurants, bars, entertainment); and developing and leasing land adjacent to an airport for complementary industrial development (i.e., businesses that mar-

ket products or services to airlines, or businesses that rely on air transportation for importing raw materials and/or exporting finished products).

**HAMILTON INTERNATIONAL AIRPORT:  
A LEASE-DEVELOP-OPERATE PART-  
NERSHIP**

IN 1995, THE CITY OF HAMILTON SOUGHT A PUBLIC-PRIVATE PARTNERSHIP TO ELIMINATE THE OPERATING DEFICIT, AND REALIZE THE FULL ECONOMIC POTENTIAL OF ITS AIRPORT. IN RESPONSE TO AN RFP, TRADEPORT INTERNATIONAL CORPORATION (A CONSORTIUM OF A LOCAL LAND DEVELOPMENT COMPANY, THE LABOURERS INTERNATIONAL UNION OF NORTH AMERICA, AND VANCOUVER AIRPORT SERVICES LTD.) ASSUMED FULL RESPONSIBILITY FOR OPERATIONS UNDER A 40-YEAR LEASE AGREEMENT. FROM 1996 TO 2001, THE CONSORTIUM INVESTED OVER \$15 MILLION IN RUNWAY UPGRADES AND NEW CARGO AND PASSENGER FACILITIES. PRIOR TO THE PARTNERSHIP, THE AIRPORT WAS LOSING \$500,000 ANNUALLY. IT NOW OPERATES PROFITABLY, WITH NO COST TO TAXPAYERS, AND A PROFIT-SHARING ARRANGMENT WITH THE CITY OF HAMILTON.

IN JUNE 2002, VANCOUVER AIRPORT SERVICES INVESTED \$22-MILLION IN TRADEPORT INTERNATIONAL CORPORATION, BECOMING THE MAIN SHAREHOLDER OF THE AIRPORT AND DEMONSTRATING ITS CONFIDENCE IN THE AIRPORT'S GROWTH AND FUTURE.

THE CANADIAN COUNCIL FOR PUBLIC PRIVATE PARTNERSHIPS, 100 PROJECTS: SELECTED PUBLIC-PRIVATE PARTNERSHIPS ACROSS CANADA, P. 1.

For airport owners, this management approach translates into lease and profit-sharing revenue, rather than operating losses.

Airports around the world are increasingly realizing the value of a strong commercial orientation. They are no longer merely institutional facilities engaged in the transportation of travelers; rather, airports are dynamic entertainment and retail complexes that capitalize on market opportunities generated by the flow of passengers and other airport users. Extra revenue earned from these commercial sources helps to reduce aeronautical fees and charges, which makes airports more competitive and allows them to attract additional business. Further, by using a commercial approach in the infrastructure design phase, airports can lower costs, diversify revenues, safeguard the bottom line and move more quickly toward financial independence. [YVRAS website]

## MATCHING COSTS TO BENEFITS: NEW ZEALAND'S WESTLAND DISTRICT COUNCIL

The Westland District Council of New Zealand is a large rural area on the west coast of the South Island. The population of the District, according to the 2001 Census, is 7,776, of which 3,087 live in one main community, Hokitika.

The main growth opportunities are associated with the tourism and mining industries.

Westland District Council provides a wide range of municipal services to the people of the District. These services are funded by rates, user charges, government grants or varying combinations of these. Other sources of revenue are dividends from businesses owned by the Council, and interest on invested funds.

Council, in its mission statement, states that it will "adopt a user pay philosophy where appropriate". [Westland District Council 2002] This objective underpins the Council's *Funding Policy*, which is presented in the following paragraphs. It implements this user pay philosophy through matching costs and benefits.

However, the Council notes that to adopt true user pays may adversely impact on small rural locations. For example, to fully fund all the costs of providing water and sewerage in small rural townships could be prohibitive. The Council considers that grouping similar activities together for funding purposes is fair and ensures the ongoing viability of the entire District.



THE WESTLAND DISTRICT OF NEW ZEALAND HAS A SMALL POPULATION BASE, BUT LARGE TOURISM POTENTIAL.

In analysing the services it provides, the Council considered more than 100 different activities for which it is responsible, ranging from highway repairs, to rural firefighting, to the conducting of local festivals. To simplify the process, these activities are grouped together under 21 different functions, such as Inspections and Approvals, Resource Management, Provision of Housing for the Elderly, Road, Waste Management, etc.

Each service is then classified according to which of three types of benefits it provides. These types of benefits are:

1. **Direct Benefits** are benefits received directly by an individual group. For example a building permit provides direct benefit to the builder or property owner who has applied for it.
2. **General Benefits** are benefits provided to the District or the community as a whole. For example Civil Defence provides the general benefit of providing the security of the District during natural disasters, and reserves and playing fields provide a general benefit in their overall contribution to the positive recreational image of Westland.
3. **Control of Negative Effects** is needed to protect the District from actual or potential

problems. Animal control is an example of this type of service.

The Funding Policy requires the Council to ensure that, unless there are good reasons, funding should be derived as closely as possible from the individuals or groups who benefit from each particular service. To ensure this, a three step process is applied to each separate activity under Council control.

**Annual capital expenditures are considered to be a cost of operations for the purposes of matching costs and benefits.** For large projects, the Council has access to grants from the New Zealand government, as well as the ability to borrow funds. In the case of large projects, the annual amortization charges in considered in cost allocation analyses.

1. **Economic Cost Allocation.** First, the costs of an expenditure need are allocated in a way that matches the costs to the benefits received (to the community generally, to individuals or groups, and over time). This involves a theoretical allocation based on economic principles. For example, the Council is statutorily responsible for building inspections and approvals.
2. **Modifications and Alternatives.** The theoretical allocation of costs from Step One is then modified after taking into account experience and/or special considerations (e.g., development incentives, reduction of financial impact on disadvantaged groups, statutory obligations, etc.) The initial economic allocation of funding for building inspections was 50% from developers, and 50% from general funds. However, the Council subsequently determined that the economic cost allocation should be adjusted because the cost allocation does not reflect Council's responsibility to provide for the administration of its statutory role.

*Public funding should cover fixed costs, with direct costs recovered from those who receive direct benefits. The funding was therefore modified to 66% public funding, 34% private.* [Westland District Council 2002; p. 8]

3. **Selecting a funding tool.** Finally, the actual funding mechanisms (i.e., the percentage of service costs to be raised from property taxes and user fees, respectively) are determined in a way which achieves or nearly achieves the allocations from the previous steps, after taking account of practicalities such as the lawful options available (rates, uniform annual charges, fees, etc), the efficiency of the mechanisms, and the transparency of the rating system.

As noted earlier, the Westland District Council has adopted the position that the funding for municipal services should be derived as closely as possible from the individuals or groups who benefit from each particular service. This is not unique to the Westland District Council, but has been a practice of many municipal governments in New Zealand since the mid-1980s. [Government of New Zealand 2002]

## BUILDING CAPACITY AND LEADERSHIP: PUBLIC-PRIVATE PARTNERSHIPS FOR THE URBAN ENVIRONMENT, A UNITED NATIONS DEVELOPMENT PROGRAMME

Following the 1992 Earth Summit, the United Nations Development Programme (UNDP) initiated a global programme to promote public-private partnerships to improve urban environmental services in the developing world. UNDP's Public-Private Partnerships for the Urban Environment programme (PPPUE) became operational in 1995. Between 1995 and 1999, the PPPUE Programme introduced its joint venture PPP methodology through 9 projects in 8 countries (Colombia, Costa Rica, Namibia, Philippines, Poland, Tunis, Turkey, and Zimbabwe). The selected projects were in the water, wastewater, sanitation, and energy services sectors.

PPPUE concentrated on projects that by virtue of their size and socio-economic impact were not attracting mainstream technical and financial support or the financial and international contracting community's attention (that is, projects



of less than \$25 million). PPPUE also sought out projects that, by building on their latent revenue streams (polluter pays and user fees, for example), would transform an environmental problem into a successful business, profitable enough to attract private-sector investments. [Bennett 1999]

Lessons learned during this phase of the PPPUE included:

- Project development takes time and requires local leadership and continuity.
- High-level political commitment is essential. National Governments need to create the right policy and legal environment to make PPP development at the local level possible.
- Local governments are at the frontline for PPP development in environmental services. They need to build the capacity to become equal partners with business.
- The national private sector is the driving force in small and medium sized investments.
- NGOs and communities are important partners in project development.
- Partnerships are sustainable only if they are mutually beneficial.
- Building mutual trust is vital.
- A new approach in development assistance needs time to be accepted.
- A focus on joint ventures alone is too narrow. A new approach based on alternative PPP solutions for different situations from a wide and open spectrum of options should be developed. [Bennett 1999]

## MOBILIZING FINANCING FOR PUBLIC INFRASTRUCTURE: THE EMERGING AFRICA INFRASTRUCTURE FUND

In sub-Saharan Africa, the inability of local lenders to provide long-term loans, and the unwillingness of international banks to provide loans because of unfavourable risk perceptions, impedes the ability of the local private sector to provide needed public infrastructure.

A feasibility study, funded by the Public-Private Infrastructure Advisory Facility<sup>2</sup>, recommended establishing a fund that would allow conventional lenders to reduce their risk exposure on infrastructure loans, and in time, to facilitate the development of local capital markets.

Acting on the recommendations in the study, the UK Government Department for International Development recently (January 2002) established the Emerging Africa Infrastructure Fund as a consortium of major development organizations and international banks. The main objective of the fund is to provide competitive long-term subordinated loans to infrastructure companies operating in sub-Saharan Africa.

The Fund is not small, capitalized at US\$305 million: contribution capital of US\$100 million provided by the UK Department for International Development; US\$120 million in commercial debt provided by two UK-based banks – Standard Bank Group and Barclays – and US\$85 million from three other international banks.

The Fund will be wholly focused on the private sector, and will provide loans and loan guarantees to viable local development and construction companies for infrastructure projects which will have “a positive developmental effect on the host economy”. [www.dfid.gov.uk]

<sup>2</sup> The Public-Private Infrastructure Advisory Facility (PPIAF) is a multi-donor technical assistance facility aimed at helping developing countries improve the quality of their infrastructure through private sector involvement. Launched in July 1999, PPIAF is a joint initiative of the governments of Japan and the United Kingdom, working closely with the World Bank. The information in this section is taken from PPIAF’s website: [www.ppiaf.org](http://www.ppiaf.org), as well as the website of the UK Department for International Development: [www.dfid.gov.uk](http://www.dfid.gov.uk).

## 6 CONCEPTS AND ISSUES

There are several important issues and concepts arising from the literature review, and informed through the consultation process. These are presented in the following sections.

### PUBLIC INFRASTRUCTURE: WHO SHOULD OWN IT?

It should be evident that governments do not acquire, or otherwise pay for, infrastructure for the purpose of building wealth, but rather, to facilitate the provision of public services. Consequently, the overriding consideration in the choice of any approach to infrastructure development is **the achievement of public policy objectives**. [Pearson 2001]

Public policy objectives can be framed as broad-based ‘motherhood’ statements (e.g., healthy communities, sustainable economic development), but for the purpose of assessing partnership approaches, those from Steven Beatty’s presentation to the Canadian Forum on Public Procurement in 2001 are useful:

- To obtain maximum value from an opportunity;
- To maximize service at a reasonable cost; or
- To minimize cost at an acceptable service level. [Beatty 2001]

In order to achieve these objectives, government does not necessarily have to own infrastructure. Indeed, in the case of the UK’s Private Finance Initiative, the any proposed new infrastructure is often immediately considered to be a partnership opportunity. In a presentation made by Peter Burroughs of University College London Hospitals in England to the Canadian Council for Public-Private Partnerships provided an informative illustration of the interface between the public

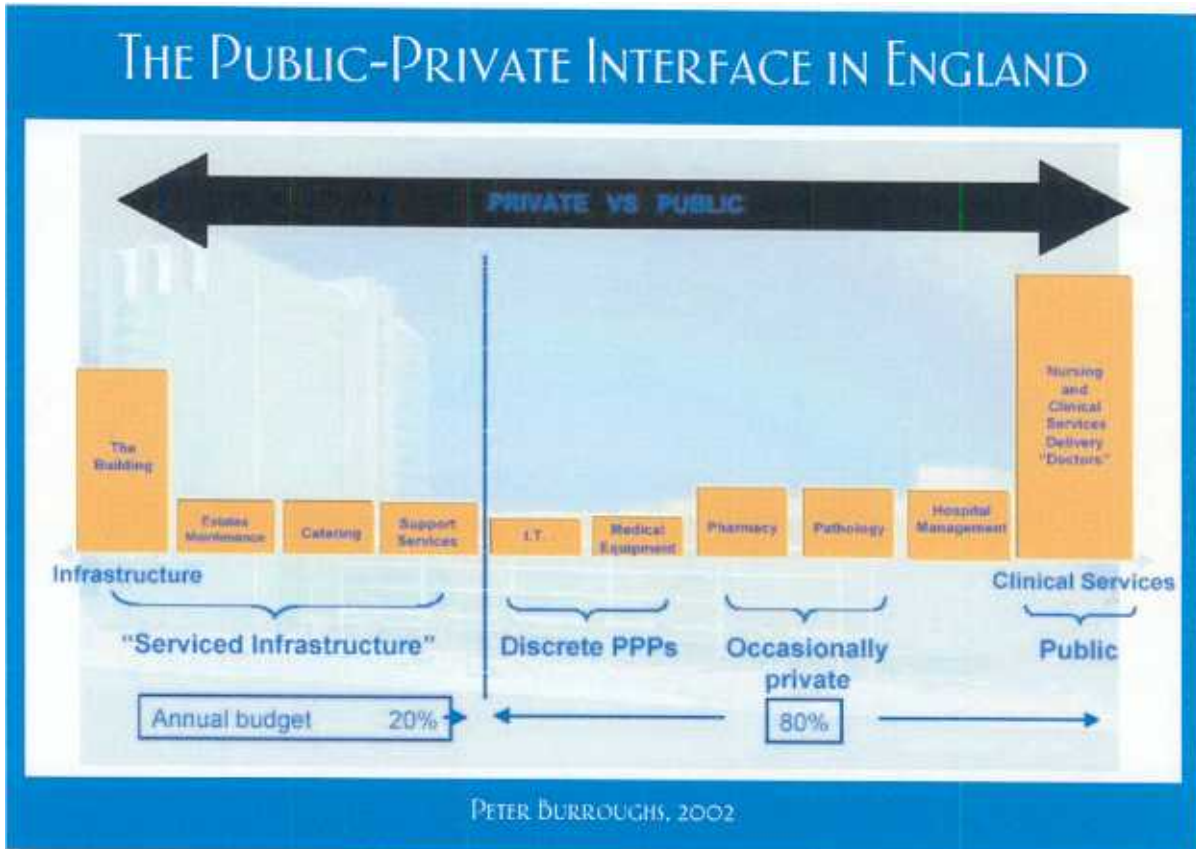
and private sectors in the case of a major hospital redevelopment project.

In this example, reproduced from his presentation at the top of the next page, a number of key points are made:

- In the case of the provision of healthcare services, actual service delivery and hospital management remains within the public sector. Two major in-house clinical services, pharmacy and pathology, are often retained within the public sector, but may also be provided through partnership arrangements.
- The hospital facilities themselves, catering and support services, provision and maintenance of medical equipment, as well as the provision of information technology services (IT in the figure), are provided by the private sector under partnership agreements.
- In annual budgeting terms, servicing the infrastructure – the “bricks and mortar” of the program – accounts for only 20% of required funds. As other authors have noted, in the context of lifecycle costing, infrastructure costs are often a minor component.



THE ‘STEAM PLANT’ IN FORT SIMPSON. DOES THE GNWT HAVE TO OWN PUBLIC INFRASTRUCTURE IN ORDER TO DELIVER PUBLIC SERVICES?



This type of thinking is not new: most of the office space required for GNWT employees – particularly in Yellowknife and the Regional centres – is leased from the private sector. But where the presumption in the GNWT’s Capital Needs Assessment is that financing for infrastructure needs will come from public funds, the presumption in the UK is that financing for infrastructure needs will come from the private sector, unless there is a compelling reason to exclusively use public funds.

There may indeed may other considerations which impact whether or not a facility or other type of infrastructure should be owned by the government, but responsibility for the provision of public services is not one of them.

### VALUE FOR MONEY

The literature presents many examples of investments in infrastructure where the intent was to maximize value or maximize service levels,

rather than to minimize service costs. [Bennett 1999; Burroughs 2002; CCPPP 2001; Trebilcock 1996]

Indeed, cost is almost never the only reason for partnering; nor is it always the most important – a number of other factors have become key drivers of partnering. Data collected from State governments in the United States have shown that flexibility, access to personnel or skills not available in-house, increasing political support for partnering, and tapping of private-sector innovation are more important drivers of partnering. [Moore 2000]

Increasingly in the literature are references to the utilization of partnerships to maximize ‘value for money’. [Allan 1999; Business Council of B.C. 2002; Caplan 2001; Government of Victoria, Australia 2000; Ireland Department of Finance 2001; Lane 1998; Moore 2000]. According to many authors, in the context of the provision of public services, value for money is



achieved when public interests are advanced through the most cost-effective outcomes.

One could argue that maximizing value for money satisfies all three of Beatty's public policy objectives (obtain maximum value from an opportunity; maximize service at a reasonable cost; or minimize cost at an acceptable service level)]. Consequently, it deserves a prominent place in the consideration of desirable public policy objectives.

Partnerships Victoria has succinctly identified the conditions under which a real potential to deliver value for money exists:

- A Government need has been defined in measurable output terms;
- The project is structured to optimize risk allocation in order to generate the incentives for cost-effective, high quality services;
- There is an identifiable market of bidders prepared to compete for the opportunity to undertake the project [and bids will be invited only when it is clear that there is scope for a private proponent to add value.];
- There is scope for private parties to demonstrate particular skills and/or innovative capacity; and
- The project size justifies the transaction costs and ongoing management costs. [Government of Victoria, Australia 2000]

Achieving these conditions in the NWT for obtaining value for money would probably mean bundling projects to obtain economies of scale. However, as one interviewee stated during consultations:

*How do you reconcile this approach with telling companies like Diavik and Imperial Oil to 'de-bundle' their projects in order to maximize the opportunities for local employment and local business development?*

## MULTI-USE FACILITIES

The problem with considering single-use or single-purpose facilities in terms of partnership opportunities is that the GNWT will end up paying the full cost of the facility over the term of the lease, which is not necessarily the lifetime of the building. Now it is true that the facility may be of no use to another lessee upon the completion of the GNWT's lease obligation of return to the private sector partner.

Multi-use facilities, on the other hand, can provide opportunities to reduce costs to the GNWT through the introduction of other revenue streams, and consequently, can be attractive to potential private sector partners. Other revenue streams could take the form of design and construction with other tenants in mind, and/or the introduction of other uses or services for which users pay directly.



A HAMLET GARAGE IN FORT MCPHERSON. THINKING MULTI-USE AND/OR MULTI-TENANT EVEN AT THIS LEVEL MAY REVEAL PARTNERSHIP OPPORTUNITIES.

Unfortunately, three of the four areas of greatest need in the GNWT's 20-year Capital Needs Assessment involve what are traditionally viewed to be single-use facilities: schools, airports and social housing. However, thinking about multi-use, multi-tenant situations may reveal attractive partnership opportunities:

- alternative uses for school facilities during non-classroom hours;
- business opportunities compatible with new and/or upgrading airport facilities; and
- opportunities to 'bundle' social housing with other housing needs in the design and construction of multiplexes.

The planning and design of *all* facilities should be undertaken within the context of identifying multi-use or multi-tenant situations.

## USER FEES

The user fee concept was endorsed as a means of raising funds for infrastructure development at the United Nations Conference on Environment and Development (UNCED) in 1992 [Bennett 1999].

In fact, the user fee concept was incorporated into Section 18(8) of *Agenda 21*, the action plan adopted by the 178 governments who participated in UNCED:

*In developing and using water resources, priority has to be given to the satisfaction of basic needs and the safeguarding of ecosystems. Beyond these requirements, however, water users should be charged appropriately.*

However, it is important to note that Section 18(15) qualifies the above intentions:

*Field studies on the willingness to pay should be conducted in rural and urban situations.*

Willingness to pay remains a big issue. 10 years later, the authors of the National Guide to Sustainable Municipal Infrastructure are still saying that user fees need to be assessed when it comes to determining, and paying for, appropriate levels of service. [NGSMI 2000]

The reader will recall that the Funding Policy of New Zealand's Westland District Council, introduced in the previous section, is predicated on a "user pay philosophy where appropriate". But policymakers there recognize that user fees may

adversely impact the residents of small rural communities. That's why their theoretical allocation of benefits based on economic principles is modified through policy to take into account such considerations.

A similar situation exists in the NWT with respect to charges for water and wastewater services. All customers pay user fees for water and wastewater services.

However, those that can afford it are charged full economic rates, while the fees for those that can't afford it are reduced accordingly.

It must also be noted that even in a small, mostly rural region like Westland, all of the communities are

tax-based. Consequently, the Westland District Council is making policy decisions based on sources of financing which include taxes in addition to user fees. The 27 non-tax-based communities in the NWT don't have access to general tax revenues. They rely on grants from the Department of Municipal and Community Affairs to redress the imbalance between tax-based and non-tax-based communities in this regard.

A defensible rationale for when and where to implement user fees in the NWT would be needed. We are not suggesting that user fees be implemented for existing services. However, as a means of paying for new or enhanced services, or as part of a capital financing strategy, user fees are a legitimate municipal financing tool [Beatty 2001; Government of B.C. Ministry of Municipal Affairs 2000; Government of New Zealand Treasury 2002; Pearson 2001]

A COUNCIL MAY, BY BY-LAW,  
PROVIDE FOR THE ESTABLISH-  
MENT, LEVY AND COLLECTION OF  
CHARGES FOR SERVICES PRO-  
VIDED BY THE MUNICIPAL COR-  
PORATION.

CITIES, TOWNS AND VILLAGES ACT, SECTION 169.

## TAX-BASED VERSUS NON-TAXED-BASED MUNICIPALITIES

All of the representatives of non-tax-based communities interviewed during the course of this research expressed concerns with the GNWT's capital planning process. Some interviewees expressed the view that there were actually two capital planning processes: one for community priorities, and another for GNWT's perception of community priorities.

This was less of an issue in tax-based municipalities, mainly because tax-based municipalities have better access to the human and financial resources necessary to undertake and implement capital planning.

It is probably no small coincidence that the concerns of non-tax-based communities are articulated in the *Interim Report of the Special Joint Committee on Non-Tax-Based Community Affairs*, given that the consultation on infrastructure partnership opportunities followed shortly after the Special Joint Committee's own consultations with non-taxed-based communities.

*Many leaders and residents of smaller communities do not have sufficient confidence in the GNWT's capital planning and capital funding. They express the view that the capital planning and capital funding does not respond to the needs of the smaller communities. They consider that many decisions about projects and project funding seem to be unfair. [Special Joint Committee on Non-taxed Community Affairs 2002; p. 3-1]*

Indeed, the Special Joint Committee is recommending that the GNWT introduce a meaningful, integrated consultation process on capital planning, as well as the provision of support to communities to assist them to undertake their own capital planning, project management and engineering. [Special Joint Committee on Non-taxed Community Affairs 2002; p. viii]

The capital planning recommendations of the Special Joint Committee, if implemented, will

reinforce a partnership approach to infrastructure development, by providing some of the tools – i.e., better capacity and planning processes – that municipal governments will need.

## DELINEATING RISK

As noted earlier, the underlying principle for a successful partnership is that the risk be borne by the party best able to manage or influence the outcome. And indeed, much of the evolution in the P3 model over the last few years has been in the delineation of risk. [Allan 1999, Beatty 2001, Pearson 2001]<sup>3</sup>

Private sector financing usually makes very little sense if Government is assuming most or all project risks. [Santangeli 2001] Because there will always be a wide variety of risks associated with potential projects, the structure of a partnership project needs to take account of which party is best able to take responsibility for managing such risks as:

- Design and construct risk – to cost, quality and time;
- Commissioning and operating risk;
- Service under-performance risk;
- Industrial relations risk;
- Maintenance risk;
- Technology obsolescence risk;
- Regulation and legal change risk;
- Planning risk;
- Price risk;
- Taxation risk;
- Residual value risk; and
- Demand (or volume/usage) risk (e.g., metered water use by tenants).

Allocating risks is a negotiated process between the partners, and assumes that the partners have (or can obtain) the expertise necessary to make

<sup>3</sup> See the Government of Victoria Department of Treasury and Finance publication, *Partnerships Victoria: Risk Allocation and Contractual Issues*, for a comprehensive discussion of risk identification and mitigation strategies in the context of partnerships. This document is available in .pdf format from the Partnerships Victoria website: [www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au).



informed decisions on risk allocation. Such decisions will also recognise two general principles:

- Whoever is allocated risk must have the freedom to choose how to handle and minimise it; and
- Materiality must be considered. [Government of Victoria, Australia 2000]

What are reasonable risks to transfer to the private sector? The position of interviewed private sector representatives was that it would be unrealistic for the public sector partner to transfer risks over which neither party could exercise control (e.g., long term fuel costs).

In entering into partnerships, governments generally switch from being a provider to a regulator of the service. This means that governments must become sophisticated in their understanding of what risks private sector firms can and cannot assume.



IF THE MACKENZIE RIVER ICE ROAD IS REPLACED WITH A BRIDGE, THE GNWT WILL SWITCH FROM BEING A SERVICE PROVIDER TO A SERVICE REGULATOR.

## PROTECTION OF THE PUBLIC INTEREST

What is the 'public interest'? According to Partnerships Victoria, the public interest has a number of aspects:

- health and safety
- privacy
- access to information
- access for disadvantaged groups
- legal rights
- consumer rights [Government of Victoria, Australia 2000]

How does protection of the public interest apply in a partnership approach? Governments must ensure that basic social needs are met while the individual goals of the other partners are honoured. [Bennett 1999]

The Government of Victoria in Australia has formalized its commitment to protecting the public interest, by developing an impact assessment protocol [Government of Victoria, Australia 2000]. This assessment will include the impact of the project on:

- **Effectiveness.** Is the project effective in meeting the Government's objectives?
- **Accountability and transparency.** Do the partnership arrangements ensure that the community can be well informed about the obligations of the Government and the private sector partner?
- **Affected individuals and communities.** Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?
- **Equity.** Are there adequate arrangements to ensure that disadvantaged groups can effectively use the infrastructure?
- **Public access.** Are there safeguards that ensure ongoing public access to essential infrastructure?
- **Consumer rights.** Does the project provide sufficient safeguards for consumers, particularly those for whom the Government has a high level of duty of care, and/or are most vulnerable?
- **Security.** Does the project provide assurance that community health and safety will be secured?

The B.C. Taskforce studying partnerships was of the view that, properly handled, the public interest can be safeguarded or actually enhanced. [Government of BC 1999] Their recommendations were effectively an elaboration of an approach to public interest protection presented by Stephen Beatty of KPMG, in a presentation to the Canadian Forum on Public Procurement:

*Develop and effectively monitor standards: service level standards; operational standards; safety standards.* [Beatty 2001]

# 7 WOULD PARTNERSHIPS WORK IN THE NWT?

In a word, yes.

Would partnerships significantly impact the provision of infrastructure in the NWT? Probably not. The experience in England with the Private Finance Initiative notwithstanding, there are far fewer cases in the NWT where a partnership approach could be successfully implemented. Because the NWT is a large territory with a small population base, there are issues of scale, distance and diversity which do not apply to England. There is less opportunity for multi-use/multi-tenant approaches; fewer projects for which a business case could be made, thereby attracting private sector interest; a smaller private sector upon which to draw; and access to capital to augment public funds is more constrained.

In short, partnerships are not a panacea; they are just one tool available to the GNWT to address infrastructure needs.

Is there interest among aboriginal development corporations and private industry in partnerships with the GNWT. Absolutely! All of the corporations interviewed expressed an interest in pursuing partnership opportunities with the GNWT. The proviso was that the corporation would only look at opportunities where a reasonable return on their investment could be obtained, but this attitude is not unique to the NWT, and, indeed, is characteristic of private sector interest anywhere.

The Workshop that was convened in Yellowknife March brought together a wide cross-section of individuals to discuss partnership issues and opportunities. A summary of the obser-

vations and issues that arose during roundtable discussions provide very useful insight into both the needs and attitudes of potential partners.

## OBSERVATIONS AND ISSUES FROM THE WORKSHOP

- Focus more on the potential synergies from partnerships than on risk transfer issues.
- Multi-use facilities and multi-revenue streams are key considerations for partnership approaches.
- When applying comparator methodologies in the assessment of potential partnership projects, there is a need to use fully-burdened cost calculations.
- What are the opportunities to leverage other financing for infrastructure projects? The private sector is inherently capable of seeking these out.
- If structured correctly, public-private partnerships represent opportunities for skills transfers from the private sector to the public sector.
- Partnership opportunities should not be limited to capital projects, as there are probably opportunities to partner for service delivery as well. In particular, non-facility-based programming should be considered in the context of partnership opportunities.
- It is not sufficient to focus only on the principles and policies that would encourage and support partnership approaches; equal emphasis must be given to process as well. (The discussion

around open, cooperative capital planning that dominated the afternoon session was indicative of the need for process-oriented methodologies.)

The GNWT can try to be innovative and creative in its approaches to financing and building public infrastructure, but it is inherently institutionalized: policies and procedures to encourage partnerships must be consistent with overall goals, objectives and statutory obligations.

- What is the appropriate mechanism for selecting and negotiating agreements with partners that may preclude the traditional tendering process, yet still maintain public accountability?



DISCUSSIONS DURING THE CONSULTATION PORTION OF THIS STUDY WERE REplete WITH EXAMPLES OF PARTNERSHIP OPPORTUNITIES, FROM THE PROVISION OF OFFICE SPACE TO SMALL-SCALE HYDRO-ELECTRIC POWER GENERATION.

All of the discussions with community governments, aboriginal development corporations and private industry representatives were characterized by interested and informed conversations concerning partnership opportunities. The results of these conversations are elaborated in the next section.



# 8 OPPORTUNITIES FOR INFRASTRUCTURE PARTNERSHIPS

Most services provided by government could benefit from bringing the strengths of the private and public sectors together. Public private partnerships may be less suitable for government services to which access cannot be restricted, such as services with ‘public good’ characteristics (including bylaw enforcement, environment protection and social services). They may also be less suitable for essential services (such as policing, fire protection and other emergency services). Government officials and public groups tend to be more receptive to the provision of more specialized recreation facilities, transportation services, solid and liquid waste management or utilities through public-private partnerships. [Industry Canada 2001]

This chapter presents a brief outline of some of the potential infrastructure partnership opportunities that have arisen during consultations.

## ROADS

5-YEAR CAPITAL NEEDS	\$131,458,000
20-YEAR CAPITAL NEEDS	\$1,375,185,000

There has already been some participation by the private sector in highway infrastructure. For example, funds have been contributed recently by PetroCanada Ltd. (\$261,000) and Devon Canada Corp. (\$867,000) for enhancement of the winter roads between Inuvik and Aklavik, and Inuvik and Tuktoyaktuk.

At present the Mackenzie Valley Winter Road is only open to heavy loads for an average of five weeks. The Department of Transportation has requested incremental funding from the federal government to institute a bridge-building program, in order to extend the haul season from 5 weeks to 8 weeks. [GNWT Department of Transportation 2000]. Such an extension to the haul season may provide enough of a benefit to the oil and gas industry to elicit some interest in partnershiping.



THE FEDERAL GOVERNMENT IS CONTRIBUTING FUNDS FOR TRANSPORTATION INFRASTRUCTURE IN THE NWT UNDER THE INFRASTRUCTURE CANADA PROGRAM. BECAUSE OF THEIR STATUTORY RESPONSIBILITIES, THE FEDERAL GOVERNMENT SHOULD BE A PARTY TO ANY AND ALL DISCUSSIONS WITH THE PRIVATE SECTOR ON PARTNERSHIP OPPORTUNITIES IN THE TRANSPORTATION SECTOR.

Further, the Department of Transportation intends to study the opportunities for improving the entire transportation infrastructure of the Mackenzie Valley. The estimated cost of constructing an all-weather road from Wrigley to Tuktoyaktuk is \$500,000,000, about 36% of the Department’s total estimated 20-year capital

needs assessment. Given the magnitude of the costs involved, and the fact that any improvements in highway infrastructure in the Mackenzie Valley would benefit industry as well as the communities, it stands to reason that the oil and gas industry should be approached for partnering opportunities. As noted earlier, corporations will invest in infrastructure that they need for a particular project [Kupfer 2003; p. 5]. The approach should therefore be a collaborative one, in which both the GNWT and the oil and gas industry identify the benefits from all-weather road construction in terms of increased access for exploration, development and construction; and reductions in re-supply costs.

The federal government should be party to any discussions involving transportation infrastructure, for three reasons. Firstly, the enormity of the costs involved. Capital needs for projects involving highways, bridges, community access roads and winter roads account for 21% of the total GNWT 5-year capital needs assessment, and, more significantly, 44% of total 20-year capital needs.

Secondly, as Workshop participants correctly pointed out, the federal government has statutory responsibilities in this sector.

Finally, royalties collected from the oil and gas and mining industries could be used to partially offset access road construction. However, these royalties flow directly to the federal government (with exceptions in some recent land claims agreements), of which a small portion is returned to the GNWT indirectly through formula funding agreements, and programs such as Infrastructure Canada. This contrasts sharply with the situation in British Columbia, where an extensive system of all-weather roads has been constructed by the forest industry in exchange for reductions in stumpage (royalties) otherwise payable to the B.C. government for the right to harvest that province's timber resources.

## FERRY OPERATIONS

5-YEAR CAPITAL NEEDS	\$2,050,000
20-YEAR CAPITAL NEEDS	\$5,195,000

Lost among the excitement surrounding the remarkable efforts of the Deh Cho Bridge Corporation is a small opportunity to look at ferry operations at other river crossings in the context of partnership opportunities. The reader may recall that one of the situations where a partnership makes sense is when there is an opportunity to convert the provision of a public service into a business. The ferry crossings on the Liard, Peel and Mackenzie (at Tsiigehtchic) Rivers probably don't have sufficient traffic volumes to consider a business model based on tolls and other revenue streams generated from operations. Nevertheless, there may be opportunities to partner with private sector service providers to achieve value for money in ferry operations. Red River Inc., the development arm of the Gwichya Gwich'in Council, currently provides a number of administrative services in support of the ferry operations at Tsiigehtchic. During consultations, senior staff of Red River Inc. expressed an interest in exploring further partnering opportunities in ferry service management and operations with the GNWT.



RED RIVER INC., THE DEVELOPMENT ARM OF THE GWICHYA GWICH'IN COUNCIL, IS INTERESTED IN FURTHER PARTNERSHIP OPPORTUNITIES IN FERRY SERVICE OPERATIONS AT TSIIGEHTCHIC.

## AIRPORTS

5-YEAR CAPITAL NEEDS	\$73,336,000
20-YEAR CAPITAL NEEDS	\$231,079,000

Airports, like roads, is a program where the GNWT's identified capital needs are large. It is also a program with significant annual program delivery costs: according to the 2003-2004 Main Estimates, direct program delivery costs (exclusive of program management and administrative costs) are budgeted at \$14,537,000.

In southern Canada, many airport authorities have made – or are in the process of making – the transition from solely an institutional model based on the transportation of travellers, to a business model which capitalizes on market opportunities generated by the flow of passengers and other airport users. The extra revenue earned from commercial opportunities helps to offset O&M costs, and in many cases, reduces aeronautical fees and charges, which makes airports more competitive and allows them to attract additional business. In the case of airports like Vancouver, Calgary and Hamilton with high passenger volumes, the transition to a business model turned what was once an annual operating loss into an annual profit.

But passenger volumes need not be high in order to apply the model. The Cranbrook Airport, in Cranbrook B.C., recorded 74,000 passengers and 15,000 aircraft movements during 2001. [YVRAS website]. By comparison, Inuvik recorded 16,555 aircraft movements in 2000. Further, Norman Wells had 14,690, and Yellowknife recorded 58,359 aircraft movements the same year. [GNWT DOT website]

In the case of Cranbrook, the challenge facing City Council during the mid-1990s was:

1. how to more effectively and efficiently manage their airport; and
2. how to obtain financing to construct new facilities and managing existing airport infrastructure to meet increasing demands.

1997 the City of Cranbrook entered into a long-term contract with Vancouver Airport Services Ltd. to provide contract management services for the operation and maintenance of the airport. The airport is now constructing new facilities as part of a long term growth strategy aimed at attracting more air carriers (and hence more tourists, and more aircraft-related businesses). [www.airhighways.com/cranbrook.htm]

When the current volumes of aircraft movements in and out of Yellowknife, Norman Wells and Inuvik are considered in the context of the tourism and resource development potential of the NWT, there would appear to be clear opportunities to apply the business model that has worked well in the case of Hamilton, Cranbrook (and many other airports exemplified in the literature).



THE YELLOWKNIFE AIRPORT RECORD 58,359 AIRCRAFT MOVEMENTS IN 2000, MORE THAN ENOUGH – IN LIGHT OF THE EXPERIENCE OF SOME REGIONAL AIRPORTS IN SOUTHERN JURISDICTIONS – TO CONSIDER THE APPLICATION OF A BUSINESS MODEL THROUGH AN OPERATIONS PARTNERSHIP.

Airport operations represent an excellent opportunity to apply the lesson that a partnership approach works well when there are opportunities to identify and exploit new or incremental revenue streams arising directly or indirectly from the provision of public services.

## HYDRO-ELECTRIC POWER

Preliminary studies indicate that the Northwest Territories has the potential to generate more hydro power than James Bay or Churchill Falls, using modern run-of-the-river technology that eliminates the need for large dams and massive flooding. [Government of the Northwest Territories 2002; p. 14]



As a partnership opportunity, hydro-electric power arose during discussions with some of the aboriginal development corporations, including the Lac La Martre Development Corporation in Wha Ti, the Fort Norman Metis Land and Financial Corporation in Tulita, the Denton'Cho Corporation, and the Denesoline Development Corporation in Lutselk'e.



IMAGINE A PARTNERSHIP BETWEEN THE NWT POWER CORPORATION, ABORIGINAL DEVELOPMENT CORPORATIONS, AND RESOURCE DEVELOPMENT COMPANIES, TO EXPLORE HYDRO-ELECTRIC POWER GENERATION POTENTIAL.

As reported in News North on April 16<sup>th</sup>, the Lutselk'e Dene Band has signed an agreement with a Regional Power, a company that specializes in building small hydroelectric plants. They are looking for a river that can generate up to 50 megawatts of power, enough to supply both the Ekati and Diavik diamond mines.

Are there significant life-cycle cost savings opportunities associated with the provision of hydro-electric power from small-scale developments?. This in itself is reason for further study, and doubtless the NWT Power Corporation has been active in this for many years. That communities could benefit secondarily from providing power to resource development companies (as noted above, as well as introduced earlier in connection with the proposed agenda for the Inuvik Petroleum Show), is reason for further studies to be undertaken within the context of identifying partnership opportunities.

## WATER AND WASTEWATER TREATMENT

5-YEAR CAPITAL NEEDS <sup>4</sup>	\$8,923,000
20-YEAR CAPITAL NEEDS <sup>4</sup>	\$31,983,000

This is an interesting partnership opportunity in that many of the conditions for pursuing the construction and operation of water and wastewater treatment plants as partnerships are already present:

- water and wastewater were consistently rated the highest priorities of community governments;
- private sector expertise already exists, in Ferguson Simek Clark Architects and Engineers (and equally importantly, the interest in undertaking such projects as partnerships exists in this firm as well); and
- there is support within the GNWT for considering water and wastewater treatment plants as good candidates for partnershiping, because of the opportunities inherent in such arrangements to optimize life-cycle costs.



A UTILIDOR PUMPING STATION IN INUVIK.

## PUBLIC HOUSING

5-YEAR CAPITAL NEEDS	\$70,422,000
20-YEAR CAPITAL NEEDS	\$327,845,000

<sup>4</sup> Estimated water and sewage treatment infrastructure costs for non-tax-based communities only.

Public housing is another program with significant capital needs. Recently, the NWT Housing Corporation explored partnership opportunities to provide public housing under commercial lease terms in Inuvik, whereby the Housing Corporation is the ‘anchor tenant’, taking 50-60% of space in the building, with the rest being leased on the open market. The Corporation is of the opinion that this was a good deal – cost-wise – that would probably work in other Level 1 and some Level 2 communities where a housing market exists.



PUBLIC HOUSING: A PARTNERSHIP OPPORTUNITY IN LEVEL 1 AND 2 COMMUNITIES?

However, for Housing Corporation officials, the important consideration is the O&M costs associated with public housing. Even though capital funding is available from the Canada Mortgage and Housing Corporation under a declining scale through 2038, O&M costs are prohibitive.

The Corporation is aggressively promoting home ownership, whereby public housing is purchased by the tenant (or other buyer). This effectively frees up O&M funding to apply to other units. In other words, the additional O&M funding associated with new public housing units outweighs any cost advantages that might be achieved through partnership approaches to the construction of such units.

## PROVISION OF OFFICE SPACE

5-YEAR CAPITAL NEEDS <sup>5</sup>	\$9,800,000
20-YEAR CAPITAL NEEDS	\$39,200,000

The GNWT has obtained office space from the private sector for years. There was strong interest expressed by aboriginal development corporations in continuing this process, by providing office space to the GNWT through a partnership approach. However, as observations and lessons from the literature review have pointed out, there are few advantages to be gained from taking a partnership approach to single-use facilities where the GNWT is the only tenant.

Partnership opportunities in the area of the provision of office space could probably be enhanced with more up-front effort in the planning of multi-use and/or multi-tenant facilities.



PARTNERSHIP OPPORTUNITIES COULD PROBABLY BE ENHANCED WITH MORE UP-FRONT EFFORT IN THE PLANNING OF MULTI-USE AND/OR MULTI-TENANT FACILITIES.

## RECREATIONAL AND CULTURAL FACILITIES

5-YEAR CAPITAL NEEDS	\$17,260,000
20-YEAR CAPITAL NEEDS	\$73,276,000

Evidence from the literature review, as well as the experiences of some of the interviewees, suggest that corporate sponsorships and user fees can be successful means of financing and operating recreational and cultural facilities.

<sup>5</sup> Estimated costs for office renovations and leasehold improvements identified in the 20-Year Capital Needs Assessment.



YELLOWKNIFE'S NEW TWIN-PAD ARENA IS BEING FINANCED FROM A VARIETY OF PUBLIC AND PRIVATE SECTOR SOURCES, INCLUDING CORPORATE SPONSORSHIPS AND USER FEES. THIS TYPE OF PARTNERSHIP FUNDING APPROACH COULD BE APPLIED TO ALL RECREATIONAL AND CULTURAL FACILITIES.

Perhaps it is time for the GNWT to re-think its policies on funding such facilities outright, with a view to encouraging financing approaches which embrace a wider array of partners.

## OTHER OPPORTUNITIES

### MUNICIPAL BUILDINGS

5-YEAR CAPITAL NEEDS	\$7,190,000
20-YEAR CAPITAL NEEDS	\$50,188,000

### HEALTH CENTRES, HOSPITALS AND NURSES RESIDENCES

5-YEAR CAPITAL NEEDS	\$46,307,000
20-YEAR CAPITAL NEEDS	\$119,653,000

### CORRECTIONS FACILITIES

5-YEAR CAPITAL NEEDS	\$17,414,000
20-YEAR CAPITAL NEEDS	\$62,934,000

### OTHER TERRITORIAL BUILDINGS

5-YEAR CAPITAL NEEDS	\$27,619,000
20-YEAR CAPITAL NEEDS	\$91,397,000

One of the more fascinating outcomes from the Workshop was a consensus among participants to explore a more open, integrated and cooperative capital planning process in the NWT. The concept involves the GNWT, community governments, and the federal government coming to the table with their respective capital construction needs. Also at the table would be aboriginal development corporations, developers, builders and other interested private sector business peo-

ple. The outcome of such a round-table review and discussion of capital needs – according to Workshop participants – would be an identification of projects suitable for partnershiping.

It is difficult to identify specific projects beforehand, because the very premise of such an approach is to collaboratively examine projects on a case-by-case basis in order to judge relative partnership merits. Partnership approaches could apply to municipal buildings, health centres, corrections facilities and other GNWT buildings. From the literature review and Workshop discussions, it is likely that the most promising projects would be those where there are multi-use/multi-tenant applications, or where additional non-government revenue sources can be introduced. A collaborative approach to project identification is worth pursuing.

# 9 HOW COULD WE MAKE PARTNERSHIPS WORK?

What is necessary for identifying and implementing successful partnerships? Some of the more important requirements are presented in this chapter.

## AN ENCOURAGING ATTITUDE

Community governments, aboriginal governments, the private sector, need to know that partnerships are, and will be, one of the tools that will be employed by the GNWT to address infrastructure needs.

Such an attitude is exemplified by the Government of Ireland in its *Framework for Public Private Partnerships*:

*Public Private Partnerships (PPPs) are crucial to the delivery of priority economic infrastructure projects under the National Development Plan and to the provision of quality public services. [Government of Ireland 2001]*

## AN ENABLING POLICY FRAMEWORK

The essential elements of a policy framework were well researched and documented by KPMG during their formative evaluation of the P3 Pilot Initiative. The policy recommendations arising from this assessment were based on their own (considerable) experience with best practices. Their summary comments in that regard are reproduced here:

- Establish an appropriate context and scope for the P3 Policy which would, for example, include a broader defini-

tion of P3 and define a specific “ownership” for the policy.

- Establish a range of objectives for the P3 initiative (and how they may be rationalized if they are competing objectives).
- Identify specific criteria regarding project evaluation and selection.
- Address market capacity as part of the criteria development and evaluation processes.
- Identify areas of control e.g., related to public accountability which will not be shared with the private sector.
- Specify accountability for aspects of policy and public input.
- Exclude unsolicited proposals from the P3 process. [KPMG 1999; pp. 41,42]

## A TEAM APPROACH

In order to prepare itself for the unique nature and requirements of public-private partnerships, governments must identify who, within its organization, will have the responsibility, authority and accountability for decisions with respect to P3 projects. A small team should be established which, in general, will focus its efforts on undertaking the following responsibilities:

- Consulting with political decision makers, staff, unions, the public, and the private sector to define preferred partnership structures, acceptable levels of risk and minimum service requirements;
- Providing a single point of entry for the private sector to approach government with P3 initiatives;



- Providing a single point of contact for community governments, in order to assist in the identification of issues, and to direct community governments to the appropriate sources of expertise and/or resources for resolution;
- Developing and managing a communications strategy to educate staff and the public on the benefits of partnerships;
- Working with departments to identify and evaluate existing and future P3 opportunities; and

Ensuring that partnership initiatives receive an appropriate level of review, in a timely manner, and are conducted according to the P3 policy. [Industry Canada 2001]

Ideally, the team would have expertise in the following areas:

- Contracts and contract law
- Procurement process & specifications/contract management needs
- Risk management techniques and contingency planning
- Terms and conditions of individual contracts
- Government accounting and financial management
- Relationship management [Industry Canada 2001]

## A COMPLETE, FAIR AND TRANSPARENT PROCESS FOR IDENTIFYING AN IMPLEMENTING PARTNERSHIPS

Why is process important? To produce appropriate information for the purpose of decision making and to protect the integrity of the decision making process. [KPMG 1999; p. 3]

PWS already has a process in place to deliver conventional capital construction projects. However, partnerships are all ‘one-offs’, and the process for dealing with P3s will necessarily be one-offs as well. These processes will need to be well-devised, will require in-house expertise to deal with, and will necessitate some kind of linkages with the extant process, in case a pro-

ject starts out as a P3 but ends up as a capital construction project.

The reader is encouraged to review the 1999 KPMG report *Review of Government of Northwest Territories Public/Private Partnership Policy and Implementation Guidelines and Request for Qualifications and Request for Proposal Documents* for a comprehensive presentation of the essential elements of a complete, fair and transparent process for implementing partnership projects.

## A CONDUCTIVE CAPITAL PLANNING PROCESS

The recommendation arising from the Workshop to pursue a more open, cooperative and integrated capital planning process, was presented in the previous chapter.

Opening what has traditionally been a closed-door process to potential partners may be a more effective way of identifying – on a case-by-case basis – not only partnership opportunities, but much of the process for proceeding with projects as partnership opportunities as well.



CHIEF JULIUS SCHOOL IN FORT MCPHERSON. SCHOOLS HAVE BEEN BUILT AS PARTNERSHIP PROJECTS IN OTHER JURISDICTIONS WITH VARYING DEGREES OF SUCCESS. WE PROBABLY NEED TO LOOK AT ADAPTING OR INCORPORATING SCHOOLS INTO MULTI-PURPOSE FACILITIES IN ORDER TO SEE THE PARTNERSHIP OPPORTUNITIES.

One of the suggestions arising from the Workshop was that there be two streams established for capital budgeting: one for the more traditional capital construction projects (generally speaking, large, single-purpose facilities or equipment acquisitions); and a second, smaller stream for projects for which value for money may be achieved by considering partnerships (generally speaking, multi-use facilities, opportunities for introducing non-government revenue

streams, or service improvements through the acquisition of private sector expertise not available within government.)

## FINANCIAL INCENTIVES

The material presented in the previous chapter suggests that many – if not most – partnership opportunities exist at the community and regional levels. Further, it is worthwhile to restate the high level of interest displayed by both private sector and municipal Workshop participants in a more open, cooperative planning process in order to identify specific opportunities. In light of these observations, what could the GNWT do in order to support and encourage partnership initiatives at the community and regional levels?

*Infrastructure NWT* is proposed as an institutional approach to infrastructure funding, with a focus on providing financial support for partnership approaches initiated and developed at the community or regional level. There are two options proposed for consideration:

1. **Investment Fund.** As an investment fund, Infrastructure NWT would be modeled on the Emerging Africa Infrastructure Fund presented in an earlier chapter. The fund would be underwritten by the GNWT, in partnership with the federal government. The GNWT's share of the fund would come from the second stream funds identified in the capital planning process, as discussed in the previous sub-section. The Government of Canada would be encouraged to provide funds from the Canada Infrastructure Program. Municipal or aboriginal organizations could approach the fund for funding for infrastructure projects consistent with the intent of the second stream capital plan (e.g., multi-use facilities where non-government revenue streams are identified, or projects for which value is added through service improvements by the application of new and innovative private sector expertise. Funding could take the form of contributions, subordinated debt, and/or loan guarantees. In most cases, contributions would be proportional to the ex-

pected government use of the facility or service. However, in cases where project proposers were able to attract a greater percentage of required funding on its own, for example from a resource development company operating in proximity to the affected community, additional contribution funding could be made available on some type of matching basis. Loan repayments would be returned to the Fund.

2. **Crown Corporation.** By adding elements of the organizational approach of Ontario's SuperBuild Corporation, Infrastructure NWT could be established as a crown corporation, assuming ownership and management of the GNWT's current infrastructure assets. The corporation would then have the asset base, any lease revenues that might flow from such assets, additional financing consistent with Option 1, plus borrowing capacity consistent with its asset base. Under this scenario, Infrastructure NWT would work with community governments, aboriginal development corporation and the private sector in a more active role, to encourage and develop partnership approaches to infrastructure as an additional tool for infrastructure development generally. It would also be in a position to using its finances to leverage other monies, be it from the private sector, or other levels of government.

Access to financing can be a problem for NWT-based businesses. By providing subordinated debt and loan guarantees through Infrastructure NWT – under either option – conventional lenders could reduce their risk exposure on infrastructure loans, thereby making it somewhat easier for project proposers to finance their projects. The second option – the crown corporation – broadens the involvement of the GNWT by adding a more active role in developing partnership projects.

## CAPACITY-BUILDING STRATEGIES

Of all of the lessons learned from an examination of partnership experiences in other jurisdictions, one of the most prominent is the need to build capacity. This necessity was emphasized by many authors [Allan 1999, Bennett 1999, Caplan 2001, Ferreira 1996, Government of Ireland 2001, Pearson 2001], and was a recurring theme in the consultation. Indeed, building the capacity to develop, execute and manage partnership arrangements was identified as an issue by both community governments and aboriginal development corporations.

Projects requiring substantial institutional change or large capital investments will require capacity building of all stakeholders: (a) consumers on the nature of the service they are receiving and the costs associated with its provision; (b) providers, particularly local organizations, on entrepreneurial skills; and (c) governments on adopting the frameworks for and overseeing the provision of the services. [Bennett 1999]

“LOCAL GOVERNMENTS ARE AT THE FRONTLINE FOR PPP DEVELOPMENT IN ENVIRONMENTAL SERVICES. THEY NEED TO BUILD THE CAPACITY TO BECOME EQUAL PARTNERS WITH BUSINESS.”

ELIZABETH BENNETT, PUBLIC-PRIVATE PARTNERSHIPS FOR THE URBAN ENVIRONMENT: ISSUES AND OPTIONS

*be based on consideration of the needs of each project and will be assessed against a rigorous public interest test which will examine the potential impact upon privacy, security, consumer rights, public access and equity. [Government of Victoria, Australia 2000]*

## PUBLIC ACCEPTANCE

The success of the PPP programme requires widespread public support. [Government of Ireland Department of Finance 2001]

That's why an effective communications strategy is so important. However, the experience of other jurisdictions is that public acceptance is an on-going and constant requirement. Partnerships Victoria, in Australia, explicitly reviews each potential partnership project in terms of public acceptance:

*Choices between public and private provision of public infrastructure and related ancillary services will be made on practical grounds. Such choices will*

# 10 CONCLUSIONS

Opportunities for partnership approaches abound in the Northwest Territories. Most do not have the allure, scale and potential impact of the Deh Cho Bridge Corporation's project, but they are opportunities with potentially real benefits nonetheless.



THE HAMLET OFFICE IN FORT MCPHERSON. COMMUNITY GOVERNMENTS WANT GREATER INVOLVEMENT IN THE GNWT'S CAPITAL PLANNING PROCESS. THIS COULD LEAD TO THE IDENTIFICATION OF MORE PARTNERSHIP OPPORTUNITIES.

The best partnership opportunities are those that allow the private sector to add value in the provision of public services. As we have seen, the most promising implementations of this approach include multi-use facilities, service improvements through private sector demonstration of expertise and/or innovative capacity, and taking a business approach to a public sector project.

A business orientation provides opportunities to introduce new, non-government revenue streams, and to leverage private sector investment, both of which have the effect of reducing costs to the government. However, any project where value for money can be introduced or increased through private sector participation is worthy of consideration. Partnerships don't have to always be about providing infrastructure – there may be opportunities to achieve value for money in service delivery as well.

The most promising opportunities would appear to be in:

- airports;
- hydro-electric power generation;
- water and wastewater treatment;
- recreational and cultural facilities; and
- collaborative approaches to municipal infrastructure projects on a case-by-case basis.

Partnerships are about the optimal allocation of risk. Indeed, the specification of the desired allocation of risk will largely determine the structure of the partnership. From the literature review and discussions during consultation, it would appear that projects in the above-noted categories would provide the best opportunities to share risk with community governments, aboriginal development corporations, and local industry.

Equally importantly, the level of interest among community governments, aboriginal development corporations, and local industry is high. The proposal arising out of the Workshop to pursue a more open, cooperative capital planning process is further evidence that partnership approaches need to be re-visited by the GNWT.

Throughout the literature review, during conversations with those with considerable experience and expertise in partnerships, and in identifying important lessons to be learned, it was hoped that a comprehensive listing of key success factors might emerge. The reality is that only two key success factors characterized virtually all of the articles, and all the discussions with experts:

- The need for a political champion with the desire to defend the principles and/or objectives of partnering; and
- Public acceptance of partnerships as a practicable tool to address infrastructure needs is crucial.



## II NEXT STEPS

In order to move the discussion of the concepts, issues and opportunities forward, it is recommended that the Deputy Ministers Task Team:

1. Promote discussion – within the GNWT – of the contents of this report, together with the findings from the other two components of the Task Team’s overall study. There are a number of areas where the findings from the policy research commissioned earlier, and the concurrent work on the infrastructure impacts of resource development, can inform this research (and vice versa).



PARTNERSHIPS ARE ABOUT PEOPLE WORKING TOGETHER TO CREATE SOLUTIONS TO COMMUNAL PROBLEMS.

2. Engage the Department of Finance and Financial Management Board Secretariat in discussions on the creation of an investment fund to support partnership approaches, consistent with the Task Team objective to examine the potential for leveraging infrastructure investments in the NWT. It may be advantageous to consider financial incentives for infrastructure projects initiated at the municipal or regional levels, particularly when project proposers can bring third party funding to the project. It would also be advantageous to enhance such a fund with funding from the Infrastructure Canada Program. For example, the acknowledged priorities of the Infrastructure Canada Program
3. Pursue discussion with senior management of Ontario’s SuperBuild Corporation. This organization has much to offer in terms of increasing the profile of capital spending, and organizing to promote partnerships among and between all levels of government and the private sector. The senior management of SuperBuild believe that partnerships are just one tool among many that can be employed to address infrastructure needs, so it may be instructive to broaden these discussions beyond simply partnership approaches.
4. Examine how the capital planning process itself might be modified to encourage partnership approaches. This follows from Workshop observations that, if there are partnership opportunities to be found, the parties to a more open, integrated capital planning process can find them.
5. Extend discussions to include community governments, aboriginal development corporations, and private sector representatives. This should be done at the earliest opportunity following compilation and analyses of the information acquired through execution of the four previous steps. An effective way to demonstrate commitment to partnerships is to invite partners into discussions about partnerships.
6. Communicate with the public at every stage. Public acceptance of partnerships as a practicable tool to address infrastructure needs, is crucial.

# BIBLIOGRAPHY

---

Alberta Ministry of Municipal Affairs. *Achieving Success through Regional Partnerships*. Edmonton: Queen's Printer, 2000.

Allan, John R. *Public-Private Partnerships: A Review of Literature and Practice*. Regina: Saskatchewan Institute of Public Policy, 1999.  
<http://www.uregina.ca/sipp/publications/publicpolicypapers/cicreport.pdf>

Beatty, Steven. *Public-Private Partnerships Around the World*. A presentation to the Canadian Forum on Public Procurement, St. John's Newfoundland, October 2001.

Bennett, Elizabeth, Grohmann, Peter, and Gentry, Brad. *Public-Private Partnerships for the Urban Environment: Issues and Options*. New York: United Nations Development Program, 1999.

Burroughs, Peter. *University College Hospitals Redevelopment: A Case Study*. A Presentation made to the Canadian Council for Public-Private Partnerships; October 23, 2002.  
<http://www.pppcouncil.ca/burrpres.pdf>

Business Council of B.C. *The What and Why of Public-Private Partnerships*. In: Finlayson, Jack A. ed. *Policy Perspectives*. 9(1), February 2002; pp. 1-6.

Canadian Council for Public-Private Partnerships. *PPP Hospital Fact Sheet*. Toronto: CCPPP, 2001.

Canadian Council for Public-Private Partnerships. *100 Projects: Selected Public-Private Partnerships Across Canada*. Toronto: CCPPP, 2001.

Caplan, Ken; Heap, Simon; Nicol, Alan et. al. *Flexibility by Design: Lessons from Multi-Sector Partnerships in Water and Sanitation Projects*. London, England: Business Partners for Development; 2001.

Coles Associates Ltd. *The Potential for Greater Self Reliance Through Partnering*. A Discussion Paper prepared for the Financial Management Board and Department of Health and Social Services. November, 1997.

Crichton, John W. *A Model for Commercializing Public Enterprises*. A presentation to the Calgary Chamber of Commerce, February 4, 2003.

Dohrman, James. *Municipal Public-Private Partnerships: What are the Real Issues?* Government of South Africa Municipal Infrastructure Investment Unit. <http://www.miiu.org.za>.

Eggers, William D, ed. *Cutting Local Government Costs Through Competition and Privatization*. Sacramento: California Chamber of Commerce, 1997.

Fell, Anthony S. *Comments*. 10<sup>th</sup> Annual Conference on Public Private Partnerships, Toronto, November 25-26, 2002.

Ferreira, David and Khatami, Kamran. *Financing Private Infrastructure in Developing Countries*. World Bank discussion paper no. WDP 343 (1996).

Fort Providence Combined Council Alliance. *Ft. Providence - Deh Cho Bridge Fact Sheet*. November 2002.

Gilhuly, Chuck; Vaughan, Alan et. al. *Enhancing Financial Independence: a Report on Formula Financing and Leveraging Community Strengths in Nunavut*. A report prepared for The Nunavut Municipal Finance Review Committee, 2001.

Government of B.C. Ministry of Municipal Affairs. *Public Private Partnership: A Guide for Local Government*. Victoria: Queen's Printer; 1999.

Government of B.C. Ministry of Municipal Affairs. *Development Finance Choices Guide*. Victoria: Ministry of Municipal Affairs; October 2000.

Government of B.C. Treasury Board. *Capital Procurement Policy Guidelines*. Victoria: Queen's Printer, 1999.

Government of Ireland Department of Finance. *Framework for Public Private Partnerships*. Dublin: Government of Ireland, November 2001.

Government of the Northwest Territories Department of Transportation. *Investing in Roads for People and the Economy: A Highway Strategy for the Northwest Territories*. Yellowknife: Department of Transportation, 2000.

Government of New Zealand Treasury. *Guidelines for Setting Charges in the Public Sector*. Wellington: Queen's Printer, 2002. <http://www.treasury.govt.nz/publicsector/charges>

Government of the Northwest Territories Department of Transportation. *Corridors for Canada: An Investment in Canada's Economic Future*. Yellowknife: Department of Transportation, 2002.

Government of Nova Scotia. *Strategic Public-Private Partnering - A Guide for Nova Scotia Municipalities*. Halifax: Queen's Printer, 1996.

Government of Victoria Department of Treasury and Finance. *Partnerships Victoria: Overview*. Victoria: Government of Victoria, Australia; June 2000.

Government of Victoria Department of Treasury and Finance. *Partnerships Victoria: Risk Allocation and Contractual Issues*. Victoria: Government of Victoria, Australia; June 2001.

Heritage Canada. *A Corporate Sponsorship Toolbox*. Hull: Minister of Public Works and Government Services, 2002.

Industry Canada. *Public-Private Partnerships: A Canadian Guide*. 2001.  
[http://strategis.ic.gc.ca/pics/ce/p3guide\\_e.pdf](http://strategis.ic.gc.ca/pics/ce/p3guide_e.pdf)

Keeping, Janet M. *Local Benefits from Mineral Development: The Law Applicable to the Northwest Territories*. Calgary: Canadian Institute of Resources Law, 1999.

- KPMG. *Review of Government of Northwest Territories Public/Private Partnership Policy and Implementation Guidelines and Request for Qualifications and Request for Proposal Documents*. Halifax: KPMG, May 1999.
- KPMG. *Government of the Northwest Territories Evaluation of the P3 Pilot Initiative Final Report*. Toronto: KPMG, February 2001.
- Kupfer, George, in association with Terriplan Consultants Ltd. *Approaches to Physical Infrastructure Impact Management*. A report prepared for the Deputy Ministers' Task Team on Meeting Infrastructure Requirements. March 2003.
- Lane, Carolyn. *Public Initiatives with the Public Sector: Critical Issues for Government*. Economic and Technology Development Journal of Canada. Economic Developers Council of Ontario; 1998. <http://www.edco.on.ca/journal/item16.htm>
- Montague, Adrian. *Public Private Partnerships in the UK - Lessons for International Projects*. 7th Annual Conference for Public-Private Partnerships, November 23, 1999.
- Moore, Adrian T., Segal, Geoffrey F. and McCormally, John. *Infrastructure Outsourcing: Leveraging Concrete, Steel, and Asphalt with Public-Private Partnerships*. Reason Public Policy Institute; Policy Study No. 272, September 2000.
- Municipal Infrastructure Investment Unit. Annual Report 2002. <http://www.miiu.org.za>.
- National Guide to Sustainable Municipal Infrastructure. *Alternative Funding Mechanisms*. Ottawa: Queen's Printer, 2002
- National Guide to Sustainable Municipal Infrastructure. *Developing Levels of Service: a Best Practice*. Ottawa: Queen's Printer, 2002
- Nichols Applied Management. *Highway Financing Study: Final Report*. A study prepared for the GNWT Department of Transportation, August 1999.
- Olsen, Tom. *Advanced Privatization Techniques*. In: Privatization 97. Los Angeles: Reason Public Policy Institute, 1997; pp. 19-22.
- Ontario SuperBuild Corporation. *Building Ontario's Future: Ontario SuperBuild Corporation Progress Report for the Fiscal Year 2001-2002*. Toronto: Ontario SuperBuild Corporation, 2002.
- Pearson, H. William. *Public Private Partnerships: an Evolving Model for Successful Infrastructure Delivery*. 2001 TAC Annual Conference, Halifax, September 16-19, 2001.
- Robertson, Cynthia. *Public-Private Partnerships: World in Review*. Federation of Canadian Municipalities Conference, Banff, May 28, 2001.
- Rowland, David and Pollock, Allyson. *Understanding the Private Finance Initiative*. London: Unison, 2002. <http://www.unison.org.uk>.
- Santangeli, David. *Why Private Financing? A presentation to the Canadian Forum on Public Procurement*, St. John's Newfoundland, October 2001.



Special Joint Committee on Non-taxed Community Affairs. *Interim Report of the Special Joint Committee on Non-Tax-Based Community Affairs*. A report submitted to the Legislative Assembly of the NWT, October 2002.

Trebilcock, Michael J., and Ronald J. Daniels. *Private Provision of Public Infrastructure: An Organizational Analysis of the Next Privatization Frontier*. University of Toronto Law Journal 46 (1996): 375-426.

Vanier, D.J. and Danylo, N.H. *Municipal Infrastructure Investment Planning: Asset Management*. Ottawa: Institute for Research in Construction, National Research Council Canada; 1998.

Westlands District Council. *Funding Policy 2000/2002*. Hokitika, New Zealand: Westlands District Council; 2002. Obtained through personal communication with the Westlands District Council.

Westlands District Council. *Annual Plan 2002/2003- 2004/2005*. Hokitika, New Zealand: Westlands District Council; 2003. [www.westlandsc.govt.nz](http://www.westlandsc.govt.nz)

Westlands District Council. *Funding Policy 2000/2002*. Obtained through personal communication with the Westlands District Council.

Whitnall, John. *Corporate Sponsorship: Formulating Policies*. Economic and Technology Development Journal of Canada. Toronto: Economic Developers Council of Ontario; 1997. <http://www.edco.on.ca/journal/story13.htm>

## WEBSITES

Alberta Ministry of Municipal Affairs Regional Partnerships Program.  
[www.gov.ab.ca/ma/ms/regional\\_partnerships.html](http://www.gov.ab.ca/ma/ms/regional_partnerships.html)

Agenda 21 [from the United Nations Conference on Environment and Development]  
<http://www.un.org/esa/sustdev/agenda21.htm>

Canadian Council for Public-Private Partnerships  
<http://www.pppcouncil.ca>

Canada Infrastructure Program  
[http://www.infrastructurecanada.gc.ca/icp/index\\_e.shtml](http://www.infrastructurecanada.gc.ca/icp/index_e.shtml)

Canada-Northwest Territories Infrastructure Program  
[http://www.infrastructurecanada.gc.ca/icp/partners/nwt\\_ip\\_e.shtml](http://www.infrastructurecanada.gc.ca/icp/partners/nwt_ip_e.shtml)

Department of Treasury and Finance, Australia  
[www.vic.gov.au/treasury/treasury.html](http://www.vic.gov.au/treasury/treasury.html)

Federation of Canadian Municipalities  
[www.fcm.ca](http://www.fcm.ca)

Government of Alberta Regional Partnerships Program  
<http://www3.gov.ab.ca/ma/ms/RegParShip/index.cfm>

Industry Canada's Public-Private Partnership (P3) Office  
<http://strategis.ic.gc.ca/SSG/ce01373e.html>

National Guide to Sustainable Municipal Infrastructure:  
<http://www.infraguide.gc.ca/indexe.html>

NavCanada  
[www.navcanada.ca](http://www.navcanada.ca)

Partnerships UK  
<http://www.partnershipsuk.org.uk/>

Partnerships Victoria  
[www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au)

Public-Private Partnerships for the Urban Environment  
<http://www.undp.org/pppue/>

Public-Private Partnership Advisory Facility  
<http://www.ppiaf.org/>

South Africa's Municipal Infrastructure Investment Unit  
<http://www.miiu.org.za/MIIUIndex.htm>

UK Department for International Development  
[www.dfid.gov.uk](http://www.dfid.gov.uk)

Vancouver Airport Services Ltd.  
<http://www.yvras.com>

Westlands District Council  
[www.westlandsc.govt.nz](http://www.westlandsc.govt.nz)

# INTERVIEWEES

---

## COMMUNITY GOVERNMENT REPRESENTATIVES

Genevieve Clark, SAO	Enterprise
John McKee, SAO	Hamlet of Fort Liard
Albert Lafferty, SAO	Hamlet of Fort Providence
Tom Wilson, Mayor/Bernice Swanson, SAO	Village of Fort Simpson
Chief Dennis Deneron	Sambaa K'e First Nation (Trout Lake)
Chief Tim Lennie	Pehszeh Ki Dene Council, Wrigley
Lorne Antle, SAO	Deninoo Community Council
Shirley LaMalice, Manager	K'atlodeechee First Nation
Paula Robinson, Manager	Lultselk'e First Nation
John Pollard, SAO	Town of Hay River
David Kravitz, SAO	Dettah
Mauricio Alvarez, Manager	Gameti First Nation
Mike Richards, SAO	Hamlet of Rae
Tom Matus, SAO	Wha Ti
Tim Mercer/Glen Jarbeau	City of Yellowknife
Alec Simpson, SAO	Town of Norman Wells
Louise Reindeer, SAO	Tulita
Gordie Clark, Mayor	Hamlet of Fort McPherson
Peter Clarkson, Mayor	Town of Inuvik
Keith Dodge, Mayor	Paulatuq
Tom Lee, SAO	Hamlet of Tuktoyaktuk

## ABORIGINAL DEVELOPMENT CORPORATIONS

Tom Connors	Gwich'in Development Corp, Inuvik
Patrick Schmidt	Inuvialuit Development Corp., Inuvik
Grant Bealing/Dan Koebal	Red River Inc., Tsiigehtchic
Rita Cli/Lyall Gill	Liidli Koe Band/Nogha Enterprises, Fort Simpson
Bob Johnson	Dogrib Resources Development Corp, Yellowknife
Robert Kelly	Yamoga Land Corporation, Fort Good Hope
Angus Lennie	Fort Norman Metis Land and Financial Corp., Tulita
Neil McFadden	Denton'Cho Corporation
Rick Phaneaf	Lac La Martre Development Corp., Wha Ti
Tom Lee	Tuktoyaktuk Development Corp., Tuktoyaktuk
Randy Sibbeston	Metis Local #52, Fort Simpson
Don Sandercock	Beaver Enterprises Inc., Fort Liard
Racheal Catholique	Denesoline Dev Corp., Lutsel K'e



## GOVERNMENT OF THE NORTHWEST TERRITORIES

Debbie DeLancey  
Bruce Rattray  
Lew Voytilla  
Peter Vician  
Marsh Wilson

Municipal and Community Affairs  
Public Works and Services  
Financial Management Board Secretariat  
Transportation  
NWT Housing Corporation

## OTHER INTERVIEWEES

Jane Peatch  
Michael Ross, Will Lipson  
David Lindsay  
Eric Christensen  
Ron Kent  
Vern Christensen

Canadian Council for Public-Private Partnerships  
KPMG  
Ontario Superbuild Corporation  
Diavik Diamond Mines Inc.  
Ferguson Simek Clark Engineers and Architects  
Mackenzie Valley Environmental Impact  
Assessment Review Board

# WORKSHOP ATTENDEES

---

Blake Lyons (president)  
Clarence Wood (Inuvik)  
Kevin Diebold (Norman Wells)  
Winnie Cadieux (Enterprise)  
Yvette Gonzalez (staff)  
Kelly Hayden  
Bill Aho  
Alan Vaughan  
Graeme Dargo  
Debbie DeLancey  
Douglas Johnson  
Bruce Rattray  
Peter Vician  
Marvin Zaozirny  
Russell Neudorf  
Tom Beaulieu  
Clay Buchanan  
Lew Voytilla

NWT Association of Municipalities  
NWT Association of Municipalities  
NWT Association of Municipalities  
NWT Association of Municipalities  
NWT Association of Municipalities  
NWT Chamber of Commerce  
NWT Construction Association  
Ninety North Construction and Development Ltd.  
Aboriginal Summit  
Municipal and Community Affairs  
Municipal and Community Affairs  
Public Works and Services  
Transportation  
Transportation  
Transportations  
NWT Housing Corporation  
Resources, Wildlife and Economic Development  
Financial Management Board Secretariat