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Canada

Guideline to Implementing Budget 2011 Direction on Public-Private Partnerships

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Guideline to Implementing Budget 2011 Direction on Public-Private Partnerships

1. Introduction

As highlighted in Budget 2011, the Government of Canada aims to explore the use of public-private partnerships (P3s) to the greatest extent possible to ensure value for money. For this reason, all federal departments and agencies are required to screen large infrastructure projects to determine whether they are potential candidates for a P3 delivery model. PPP Canada, which was established to provide a federal centre of expertise for P3s, has the mandate to assess projects for their P3 potential. As such, departments are required to consult PPP Canada in applying the P3 screen to their projects. This guide builds on Budget 2011 by providing federal organizations with P3 screening and value for money considerations.

2. Background

A P3 is an infrastructure delivery model that integrates the various phases of the asset life cycle into one long-term performance-based agreement. Through the P3 model, the government can transfer to the private sector many of the risks and responsibilities of the design, construction, financing, operation and maintenance of federal infrastructure.

Certain Canadian provinces and international jurisdictions have extensive experience and successes with P3s, while the Government of Canada's experience has been limited primarily to a few recent examples. The Government of Canada is looking to build on this recent experience.

A fundamental principle of Government of Canada policies is value for money; this is the criterion by which all investment decisions are assessed.

3. Purpose

The purpose of this guide is to support the Budget 2011 policy direction on P3s by:

- Creating a common understanding of what is meant by P3s in the federal context and providing resources for federal organizations considering P3s;
- Providing advice on screening considerations for federal organizations in line with the Budget 2011 policy direction;
- Outlining other policy considerations for P3s, including the key policy objective of ensuring value for money; and
- Outlining considerations for federal organizations in assessing value for money.

4. Definition of Public-Private Partnerships and Resources

Definition of a P3

PPP Canada defines a P3 as a long-term contractual relationship between a public authority and the private sector that involves the following:

- Provision of goods or services to meet a defined output specification (i.e., defining what is required, rather than how it is to be done);
- Integration of multiple project phases (e.g., design, construction, operations);
- Transfer of risk to the private sector, which is anchored with private sector capital at risk; and
- A performance-based payment mechanism.

P3s can take the form of a number of different models that vary according to the level of private sector involvement. At one end of the spectrum is the Design-Build-Finance (DBF) delivery model where the private sector is responsible for designing, building, and financing the construction of the asset.

At the other end of the spectrum are Design-Build-Finance-Maintain (DBFM) or Design-Build-Finance-Operate-Maintain (DBFOM) delivery models. Using these models, the private sector designs, builds, finances, maintains and operates (in the DBFOM model) the asset(s) to predetermined output specifications. P3s are governed by one performance-based agreement. The government makes a series of payments to the private sector that may be subject to a holdback provision if the obligations are not met according to the predetermined performance specifications.

P3 Resources

In 2008, the Government of Canada established PPP Canada, a federal Crown corporation, to advance federal efforts to increase the effective use of P3s in Canada. PPP Canada advises departments and agencies in support of P3s and assesses federal P3 opportunities. It also provides information and support services to departments and agencies considering a P3 option.

Public Works and Government Services Canada (PWGSC) is the designated custodian of general-purpose office accommodation in Canada. In addition, under the *Department of Public Works and Government Services Act*, PWGSC is a common service organization that provides real property services to federal organizations within Canada. PWGSC can provide guidance and support to departments and agencies considering a P3 as a potential delivery model for accommodation projects.

5. Budget 2011 and P3 Screening

Budget 2011 requires that federal departments and agencies assess large capital projects for P3 potential and states:

> Going forward, federal departments will be required to evaluate the potential for using a P3 for large federal capital projects. All infrastructure projects creating an asset with a lifespan of at least 20 years, and having capital costs of $100 million or more, will be subjected to a P3 screen to determine whether a P3 may be a suitable procurement option. Should the assessment conclude that there is P3 potential, the procuring department will be required to develop a P3 proposal among possible procurement options.
>
> Departments will also be encouraged to explore the potential of P3 approaches for other types of projects and procurements of services.

Therefore, it is mandatory that departments and agencies assess planned infrastructure projects that have an estimated capital cost of at least $100 million and a lifespan of at least 20 years through a P3 screen to determine whether a P3 delivery model should be included as an option for further consideration through the planning process. Furthermore, Budget 2011 encourages federal organizations to explore potential P3 opportunities through a P3 screen for infrastructure projects that have capital costs of less than $100 million and a lifespan of less than 20 years. Budget 2011 also encourages federal organizations to explore P3 opportunities for investments other than federal infrastructure projects.

Before using a P3 screen, or undertaking any analysis of options, departments and agencies should ensure that the organizational needs have been clearly defined. Needs analysis and a preliminary options analysis are also to be included as part of the business case. The Treasury Board of Canada Secretariat's (Secretariat's) *Business Case Guide* contains guidance for departments and agencies on defining needs and developing the strategic context for potential investment. It also provides guidance on conducting a preliminary options analysis. In addition, the *Guide to the Management of Real Property* has considerations for departments and agencies in planning for real property acquisition decision.

The P3 screen forms a part of this early process of narrowing the options. Once the requirement has been defined, organizations can determine whether a P3 is a viable option for further consideration. It is important to screen early to ensure that the activities through the planning process are appropriate. In the context of this guide, P3s are viewed as having four stages: 1) initial planning and identification, 2) project definition, 3) project implementation, and 4) project close-out. The appendix provides an example of potential activities in the planning process for P3s. The P3 screen takes place in the initial planning and identification project stage as part of departmental preplanning activities.

P3 Screening

PPP Canada is developing a federal screen for departments and agencies. These organizations are required to consult PPP Canada in screening projects for their P3 potential.

The P3 screen consists of a series of questions that help determine whether the P3 is a viable option for further consideration. Considerations that are explored further through the questions in the screen include, but are not limited to, the following:

Private Sector Interest and Capacity: It is important to determine as early as possible whether there will be private sector interest in the potential investment because the value proposition of a P3 is enhanced by competition. Requests for expressions of interest and other forms of market sounding are often used as tools to assess market interest. Private sector interest is a primary driver in the ability of the model to deliver value; the level of interest depends on a variety of factors including the considerations outlined in this section.

Asset Characteristics and Size: Assets with certain characteristics can be better suited for a P3 model. For example:

- Larger investments tend to be better candidates for P3s because they are more attractive to potential bidders; bundling a number of assets may create a more attractive option for potential bidders.
- New construction projects tend to be better candidates than refurbishments.
- Anticipated ownership of the land may have an impact on the competitive bidding process and should be considered. If the land in question is not owned by the government, potential bidders may be unable or unwilling to acquire it.

Departments and agencies may wish to identify and analyze P3 experience based on similar classes of assets, both within Canada and internationally. This may help determine whether the characteristics of the particular asset may or may not lend themselves to the P3 model.

Time Horizon: Investments with a clear long-term requirement are better candidates for P3s.

Public Acceptance or Interest: It is important to consider the interest of the public in a potential P3 early on. Departments and agencies should identify potentially sensitive issues and their impacts to help determine whether there are any barriers to pursuing a P3.

Opportunity to Transfer Risk: The potential value of a P3 delivery model is heavily dependent on the ability to identify and allocate risks. While a full risk assessment will be undertaken as part of the value for money analysis, departments and agencies are encouraged to conduct a preliminary review of potential risks as part of the P3 screen. It will be helpful to assess whether there may be opportunities to transfer these risks to the private sector and to determine the extent to which the investment will benefit from the transfer of risks. Risks that the private sector may be in a better position to manage include, for example, those related to design, construction, recapitalization, and timeline. The public sector is often in the best position to manage demand-related risks.

Performance specifications: The ability to develop output specifications and performance requirements for the project is critical to the success of a P3. Evaluating P3 experience based on similar assets or asset classes may help the organization determine the feasibility of developing output specifications.

Innovation: The potential for innovative solutions is an important consideration for P3s. By coupling responsibility for infrastructure design with long-term operation and maintenance, the private sector may be able to add value to the planned investment. This added value may come in the form of cost savings, quicker implementation, new technology or other non-monetary benefits. Early consideration should be given to the possible innovation that the private sector may be able to offer. As a starting point, departments and agencies could identify whether innovation has been an important feature of P3s for similar asset classes.

The screen is used to determine whether a P3 is to be included as a viable option for further consideration. If it is determined through the screen that a P3 is a viable delivery option, departments and agencies will incorporate this P3 as an option in the value for money analysis and other planning activities. If it is determined through the screen that a P3 is not a viable delivery option, departments and agencies will not incorporate this P3 as a delivery option in the remaining planning activities.

Once it has been determined that a P3 is a viable option, departments and agencies may wish to consider other factors, including the following.

Organizational Capacity: The complexity and multidisciplinary requirements of P3s carry unique organizational demands. Departments and agencies should consider whether internal organizational capacity exists to carry out the project, the long-term implications of managing the resulting asset, and whether any gaps in capacity need to be filled. Given the complexity of the planning process, departments are encouraged to assess these capacity considerations early on.

Financial or Funding Considerations:P3s have unique financial considerations. With traditional forms of delivery, payments are usually made during construction or upon completion of the asset. By contrast, P3s typically involve public sector payments in instalments over the life of the contract, with penalties or inducements relating to performance. It is important to consider the unique payment structure of P3s in the context of organizational budgets.

6. Value for Money

6.1 Policy Considerations

In the Government of Canada, P3s are governed by various Treasury Board policies and their associated standards and directives. Policies governing federal investments in assets and acquired services primarily reside under the *Policy Framework for the Management of Assets and Acquired Services*. Ensuring value for money in the management of assets and acquired services is a guiding principle of the framework and its associated policy instruments.

Deputy heads are accountable for ensuring that proper due diligence is conducted and that investment decisions demonstrate value for money in line with the principles outlined in Treasury Board policies.

The following is a summary of relevant Treasury Board policy considerations for P3s:

- Under the *Policy Framework for the Management of Assets and Acquired Services*, value for money and sound stewardship are achieved through a life-cycle approach to the management of assets and acquired services.
- For decisions involving federal real property, departments and agencies may consult the *Policy on Management of Real Property*. The *Guide to the Management of Real Property* provides guidance to departments and agencies on real property decisions throughout the property's life cycle.
- Federal investments should be considered in the context of the department's investment planning process. The objective of the *Policy on Investment Planning* is to contribute to the achievement of value for money and sound stewardship in government program delivery through effective investment planning.
- Federal real property projects are subject to the requirements of the *Policy on the Management of Projects*. The objective of the policy is to ensure that the appropriate systems, processes, and controls for managing projects are in place at a departmental, horizontal, or government-wide level and that they support the achievement of project and program outcomes, while limiting the risk to stakeholders and taxpayers.
- Departments and agencies may consult the *Contracting Policy* and associated policy instruments for contracting and procurement considerations.

Once a P3 has been identified as a potential delivery model for further consideration through the P3 screen, value for money will be the determining factor for selecting the preferred option. The following sections outline some considerations for federal organizations in conducting a value for money analysis.

6.2 Value for Money Analysis and the Development of the Business Case

Value for money analysis essentially represents a risk-adjusted comparison of the costs and benefits of different investment options. While the distinction between value for money analysis and the development of the business case varies, for the purpose of this guide, value for money analysis is seen as an input into the development of the business case. The business case combines the analysis of requirements and screening with a preliminary value for money analysis that includes qualitative, quantitative, and risk factors.

The Secretariat's *Business Case Guide* provides departments and agencies with general guidance on developing business cases for federal projects. This includes guidance on financial, non-financial and risk considerations. However, the process of evaluating the value for money of P3s will likely carry unique considerations. Industry standards and best practices have evolved in the development of the value-for-money analysis process for P3s.

6.3 Introduction to the Value-for-Money Analysis Process

Value for money analysis is an iterative process that takes place throughout the initial planning and identification and project definition stages of the planning process for P3 projects. The table in the appendix provides an example of how this analysis may fit in the P3 planning process.

The table identifies three points where the value for money analysis should be performed:

1. A **preliminary value for money analysis** is conducted in the initial planning and identification stage. In the preliminary value for money analysis, the P3 option is compared with a range of other potentially feasible options, and a preferred model is identified.
2. The value for money analysis is updated throughout the definition stage as variables and assumptions are further refined. The P3 is compared with a public sector option to ensure that the P3 remains the preferred option.
3. Once definition activities have been completed, the **updated value for money analysis** is concluded before proceeding with the competitive process.
4. A final value for money assessment is conducted after bids have been received.

It is important that the analysis is updated as information becomes available and assumptions are refined. Certain relevant assumptions in particular are continually evolving. Financial assumptions such as construction costs and the cost of debt evolve continually.

In the value for money analysis, the P3 option is compared with a public sector delivery model option to help identify the potential value of the P3 model. In this approach, the P3 option is often referred to as the "shadow bid," while the public sector option is called the "public sector comparator." The public sector comparator is often a Design-Bid-Build delivery model where the public sector is responsible for design, financing, operations, and maintenance and the private sector is simply responsible for construction. Note that while it is common for value for money analysis to compare one shadow bid model with a public sector comparator model, it is also possible to assess and evaluate other options, including variations of the public sector comparator or the shadow bid.

At the time this guideline was issued, PPP Canada was developing a framework to assist federal organizations in assessing value for money. Departments and agencies are encouraged to contact PPP Canada for advice and guidance on the value-for-money analysis process for P3s.

6.4 Content of the Value for Money Analysis

The value-for-money analysis process generally entails the following components:

- An analysis of the non-financial implications of each option.
- An analysis of risks associated with each option.
- An analysis of the financial implications of the selected options. This will also include a risk-adjusted financial calculation.

Some investment analysis models examine non-financial factors outside the value for money analysis and include these factors as part of a broader options analysis. This guide includes the non-financial analysis as a component of the value for money analysis, because value for money is seen to be derived from both financial and non-financial factors. In all cases, however, the non-financial, risk and financial analyses determine whether a P3 model delivers best value for the Crown.

Analysis of Non-financial Implications

Non-financial or qualitative analysis involves the evaluation of the non-financial factors of an investment decision. These factors will have been examined as part of the preliminary value for money analysis, but may be further refined as new information becomes available.

Analysis of non-financial factors may involve different activities. The Secretariat's *Business Case Guide* can provide guidance on certain non-financial considerations, such as strategic alignment, cost-benefit analysis and impact analysis.

This type of analysis usually includes a description of the qualitative issues inherent in different delivery models as well as formalized ratings of each delivery model along a set of qualitative criteria. Weightings can also be given for each of the qualitative criteria based on their perceived relative importance. Options can be assessed in a workshop setting, which may help reduce subjective biases.

The type of criteria used to evaluate the range of delivery options may depend on the nature of the investment and the departmental context. Criteria may align with the considerations used in the initial P3 screen, or additional criteria may be incorporated. It is important to formally document the rationale for any differences in ratings between options. Examples of types of qualitative criteria include the following:

- **Project and Program-Related Criteria:** These have to do with the ability of each delivery model to meet specific project-related requirements, such as timing, the size of the project, its characteristics, innovation and risk allocation, and other program-related criteria.
- **Government of Canada Objectives and Public Considerations:** These have to do with the ability of the project to meet Government of Canada objectives. The analysis may include:
  - Policy and legislative requirements, such as environmental or legal issues;
  - Potential impact on the general public including the anticipated level of public interest and attention the investment is expected to receive; and
  - Other potentially sensitive issues.
- **Private Sector Considerations:** These include such factors as the likelihood of private sector interest, level of experience, and the capacity of private sector organizations.

It may be helpful to examine the organizational capacity considerations of each option.

It is important to ensure that the various non-financial benefits of each option are articulated clearly and concisely through the analysis. Departments and agencies may wish to determine whether the non-financial benefits of each delivery option can be measured. This may help in conveying the relative costs and benefits of each option.

Analysis of Risks

There are two ways that risk can be examined in the context of an investment analysis involving P3s:

- **Risk management:** This involves examining the risk implications associated with each delivery option and identifying the most appropriate course of action.
- **Risk-adjusted financial analysis:** This involves adjusting the cash flows of each option in the financial analysis to account for risk.

Considerations for the risk management process are outlined here. Risk-adjusted financial analysis is examined under Financial Analysis.

The principles of risk management are set out in the Treasury Board's *Framework for the Management of Risk*. In this framework, risk management is defined as a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on and communicating risk issues.

Analysis of the risk considerations of each delivery option is a critical component of the investment analysis process. The *Business Case Guide* outlines considerations for the management of risks. It identifies four common risk management functions:

- Risk identification
- Risk assessment (including measuring likelihood and impact)
- Risk response
- Monitoring and evaluation

Assessing the cost of each risk option is another important step in the risk management process, particularly for P3s. Potential P3 risks are usually identified and assessed in workshop settings that involve subject-matter experts, including external consultants such as quantity surveyors, engineers, and facility planners. Risk management considerations are typically summarized in a risk register.

A risk register is developed as part of the preliminary value for money analysis. The register identifies the risks and indicates the probability of their occurrence and their impact. It also identifies the best course of action in light of these considerations. This may include retaining the risks or transferring them to the private sector, depending on the ability of each party (public or private) to manage the risks.

Once the risks have been identified, their likelihood and potential impact assessed, and the responses proposed, the cost of the risks can then be assessed. A number of methods can be used to value risk. The overall analysis is aimed at estimating the cost of allocating risk under different scenarios and, ultimately, at estimating the risk-adjusted cost of each option to the public sector.

As new information becomes available, the risk analysis may need to be updated. Additional considerations may arise from cost consultants, through collaborative dialogue or in updating assumptions in other activities. Specifically, in the later stages it may be important to define more precisely which risks should be retained by the public sector and which risks will be transferred to the private sector. This may result from changes in the projected costs of transferring risks to the private partner.

Risk management in the context of a P3 does not involve transferring all project-related risks to the private sector. The goal of optimal risk allocation is to distribute risks to the party that is best able to manage them. The rationale for the decision to retain or transfer risks should be clear and formally documented. This decision will depend in large part on the cost associated with transferring particular risks. The cost of risks transferred to the private partner will depend on assumptions of a private partner's ability to manage them and may involve the use of advisory services.

Financial Analysis

The value for money analysis includes a systematic comparison of the financial benefits and the costs of each delivery model over the investment horizon.

The financial analysis process for P3s involves estimating financial assumptions that are then incorporated into a financial model or investment tool. The steps involved will vary depending on the particular model employed. The Government of Canada does not prescribe one investment model or tool. The Secretariat's *Business Case Guide* and *Guide to Costing* can provide some general guidance on costing for federal initiatives; however, financial analysis and modelling for P3s will carry unique considerations, primarily as a result of the relationship with the private partner and the process of comparing the P3 option with the public sector comparator.

Given the complexity of financial analysis involving P3s, it is important to ensure a good understanding of the model used so that it will fairly and accurately represent the financial considerations of each delivery option.

Financial analysis for P3s typically considers the time value of money and employs a discounted cash flow methodology. The discounted cash flow analysis for P3s examines financial considerations at all stages of the life cycle and reflects all relevant costs and benefits to the government as a whole. Generally, the options are evaluated using a net present value calculation; however, there are other financial measures to help determine the relative value of each of the examined options.

With the discounted cash flow methodology, all cash flows are discounted to their present value using the standard discount rate established by the organization. The discount rate is the rate at which the cash flows occurring at different times in the future are brought to a base period, usually the present day.

The discount rate used as part of the financial model will have a significant influence on the relative net present value of each model because it affects all cash flows. A higher rate will typically favour the shadow bid over the public sector comparator and, conversely, a lower rate will favour the public sector comparator over the shadow bid.

Different jurisdictions use different methodologies for determining the appropriate discount rate. These range from using the public sector's long-term rate of borrowing to using the project's internal rate of return, based on assumed inputs derived from similar projects. The Government of Canada does not currently prescribe a particular discount rate for federal projects; however, using a rate linked to the long-term Government of Canada borrowing rate is a common practice. Federal organizations are encouraged to ensure that the discount rate employed is considered in the broader context of the financial model and that the justification for the particular discount rate is formally documented.

Risk-adjusted financial analysis is a feature of investment analysis for P3s. Through this process, the cash flows of each option are adjusted to account for risk. This will result in a risk-adjusted financial calculation that is typically a risk-adjusted net present value. The risk-adjusted financial results will ultimately depend on the nature of the risks that are allocated between the public sector and the private partner, the probability that they will occur, and the corresponding costs.

Many variables may not be known at the early stages of the planning process, and assumptions will need to be developed. For example, because P3s are usually financed by the private sector, there are additional economic and market factors that need to be considered. These variables are not static, and it is important that they be regularly reviewed to ensure they remain current. Many revenue and costing assumptions may be consistent across the options, particularly at the early stages of the planning process. It is important to ensure that all assumptions are formally documented and have a clear rationale for their selection, particularly where there are notable differences between the options.

Due to the potential for greater uncertainty around P3 financial assumptions, it is important to formally assess and document those areas where the model employed is sensitive to particular variables. A sensitivity analysis is often conducted as part of an investment analysis, and there are different methods for conducting this analysis.

Sensitivity analysis essentially examines how changes to financial assumptions affect the results of the analysis. Small changes in certain variables could result in large changes to the net present value and may ultimately alter the relative ranking of the options. For example, the net present value is particularly sensitive to changes in the discount rate because it is used to discount all of the cash flows in the financial analysis. It is especially important for federal organizations to monitor and validate assumptions as the project progresses and there is greater certainty.

6.5 Advisory Services

Because of certain unique and complex features of the value for money analysis for P3s, a variety of advisory services may be used through the process. In addition to consulting with PPP Canada, departments and agencies may require the following resources:

- **Financial Advisors:** Financial advisors typically provide capital market assessment (if needed), financial model development, advice on risk analysis, and review of bidders' models; they can also assist in the commercial and financial closing of the project.
- **Facilities Management / Output Specification Advisors:** These technical advisors assist in the development of the output requirements and the standards for the asset.
- **Cost Consultants or Design Consultants:** These consultants provide assistance in assessing the costs of designing and building the asset. They can also provide cost data for the risk workshops.

Other advisors may be used throughout the planning process, including:

- **Transaction Advisors:** These advisors provide support for the competitive process, contributing to the development of documentation such as the request for qualifications, the request for proposals and the project agreement. A fairness monitor may also be used as part of the competitive process.
- **Legal Advisors:** Legal advisors can identify potential legal or legislative hurdles in the early stages of the project and provide solutions for addressing them. They can also help draft and review legal documentation throughout the later stages of the planning process.

6.6 Treasury Board Approvals

A variety of Treasury Board approvals may be required for a P3, including project approval, expenditure authority, contract approval, and the authority to enter into a real property transaction. These approvals are to be requested through Treasury Board submissions. Departments and agencies are encouraged to consult the Secretariat early in the planning process to identify the approvals required at various stages of the process. *A Guide to Preparing Treasury Board Submissions* outlines further considerations and guidance on approval requirements.

It should be noted that, in the process of reviewing Treasury Board submissions, the Secretariat monitors policy compliance and may request information from departments and agencies accordingly. This would include a request for information on the value for money analysis and P3 screening activities.

6.7 General Considerations

P3s can involve more up-front planning than traditional delivery models. It is important to ensure that the value for money analysis begins as early as possible in the planning stages, once input variables are known and assumptions can be developed. In addition, certain financial (e.g., borrowing and construction costs) and non-financial (e.g., political) considerations may change in the course of the planning process. It is important to update analyses regularly so that they remain current and to observe the effect of changes in assumptions on the relative rating of a particular approach.

Throughout the investment analysis process, it is critical that the options are assessed objectively and are free from bias. The purpose of the analysis is to present an objective examination of each potential delivery option, and not to defend a pre-selected option. It may be helpful to document the significant factors in the non-financial, risk and financial analyses that most substantially contributed to the identification of the preferred option. Identification of key contributing factors in the analysis may help decision makers throughout the approval process.

It may also be helpful to draw from the experience of other jurisdictions. While Canadian experience using P3s at the federal level is limited to a few recent examples, there are other jurisdictions internationally (e.g., Great Britain and Australia) and within Canada (e.g., Ontario and British Columbia) that have more extensive experience using this model. Departments and agencies may want to identify experience based on similar asset classes and determine the lessons learned from these projects.

7. Enquiries

For general information on this guideline or for information about Treasury Board policy and approval requirements, departments and agencies can contact:

Please direct enquiries about this policy instrument to the organizational unit in your department responsible for this subject matter. For interpretation of this policy instrument, the responsible organizational unit should contact: TBS Public Enquiries.

For guidance on P3 screening and value for money analysis and for other information on P3s, departments can contact PPP Canada at:

100 Queen Street, Suite 630
Ottawa, ON K1P 1J9
Telephone: 613-947-9480
Fax: 613-947-2289
Toll-free telephone: 877-947-9480
Email: info@p3canada.ca

Appendix — Potential P3 Activity Sequence

The following table presents the potential outputs and activities in the planning stages of a P3, including the P3 screen and the value for money analysis. Please note the following:

- The table is meant to illustrate where activities **may** occur in the P3 planning process. Each investment will carry unique considerations. Because processes and terminology can vary across departments, some activities may occur at different stages in different departments.
- The table identifies P3 activity groups. These groups are included to help reference common groups of activities. This is not meant to be the recommended method for grouping P3 groups into stages.
- The table does not list Treasury Board approvals. The timing and nature of approval requirements for P3s vary and depend on the features of the particular investment. Departments should contact the Secretariat early in the planning process for information on Treasury Board approval requirements.

- Sections highlighted in yellow are examined in detail in the guideline.

Example of Potential P3 Activity Sequence

Project Stages	Activity Groups	Activities and Outputs
1. Initial Planning and Identification	Preplanning	• Needs analysis • Feasibility analysis • P3 screening (see Section 5) • **Decision Point—P3 identified as a potential option through screen**
	Options Analysis	• Potential indication of market interest or issue request for interest • Site identification (if appropriate) • Project complexity and risk assessment • Business case (see Section 6.2) • Preliminary value for money analysis (see Section 6.3) • **Decision Point—P3 identified as preferred option in the initial value for money analysis** • Analysis of advisory service requirements (see Section 6.5) • Project schedule • Project charter • Plan for competitive process
2. Project Definition	Definition	• Acquire site (if appropriate) • Develop output specifications • Develop project agreement • Develop payment mechanism • Develop competitive process documents • Update value for money analysis (see Section 6.3) • **Decision Point—P3 identified as preferred option through updated value for money analysis**
3. Implementation	Competitive Process	• Issue request for qualifications • Issue request for proposals to qualified bidders • Engage in collaborative dialogue with bidders • Refine project agreement accordingly • Proposal evaluation • Recommendation of selected proposal • Revise value for money analysis with selected proposal information (see Section 6.3) • **Decision Point—P3 identified as preferred option through updated value for money analysis**
	Implementation	• Finalize offer with selected proponent • Partners enter into contract • Design, construct, and commission