



IS THERE A ROLE FOR PRIVATE-PUBLIC PARTNERSHIPS IN CANADA'S TOWNS & CITIES



HOW BIG IS THE PUBLIC INFRASTRUCTURE GAP?

Measuring the gap:

- The accumulated annual deficit between the amount “needed” to maintain or replace existing capital and to support growth with the amount actually spent.

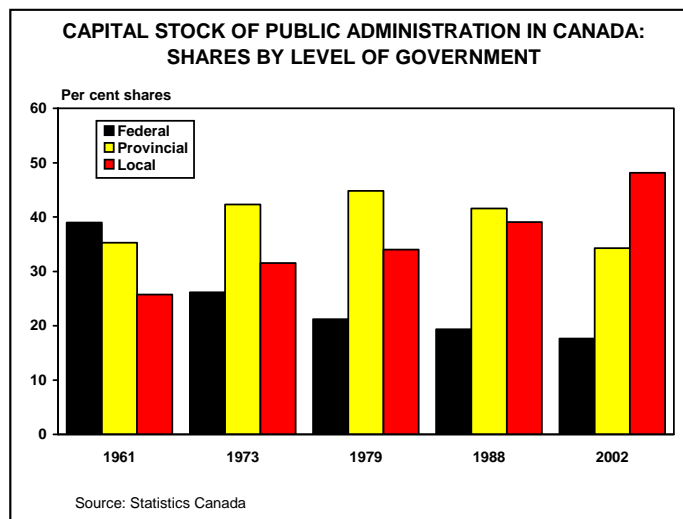
\$50-125 billion

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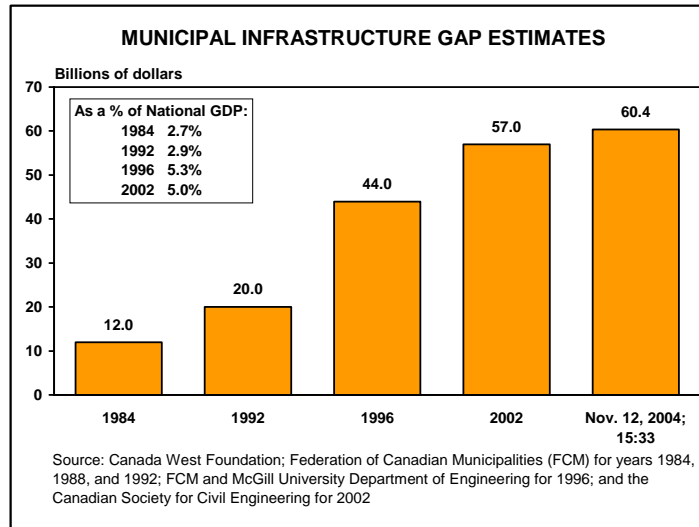
Some caveats:

- Definition of infrastructure can vary
- “Need” is highly subjective
- Technological innovation/changes in government regulation should offset measurement
- Tradeoffs are not factored in, such as higher taxes or alternative uses of the money

MUNICIPALITIES HAVE BECOME THE #1 INFRASTRUCTURE PROVIDER



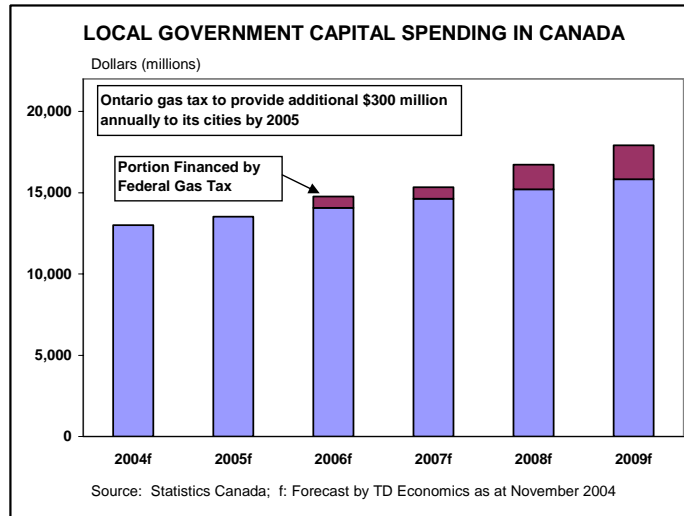
MUNICIPAL INFRASTRUCTURE GAP ON THE RISE



PROBLEM OF INADEQUATE INFRASTRUCTURE IS WIDESPREAD ACROSS MUNICIPALITIES

- Vancouver is facing \$151 million in unfunded capital projects in the 2003-05 period (CWF)
- Edmonton has a projected cumulative shortfall in capital funding of \$3.2 billion over the next 10 years (City of Edmonton)
- The cumulative shortfall in Calgary has been projected at \$1.1 billion over the next 5 years (CWF)
- Toronto's accumulated infrastructure deficit rising by about \$200 million per year (City of Toronto)
- Montreal is confronted with a gap that could run as high as \$9 billion over the next 15 years (CBOC)

NEW FEDERAL AND PROVINCIAL GAS TAX PROMISES A HELP...

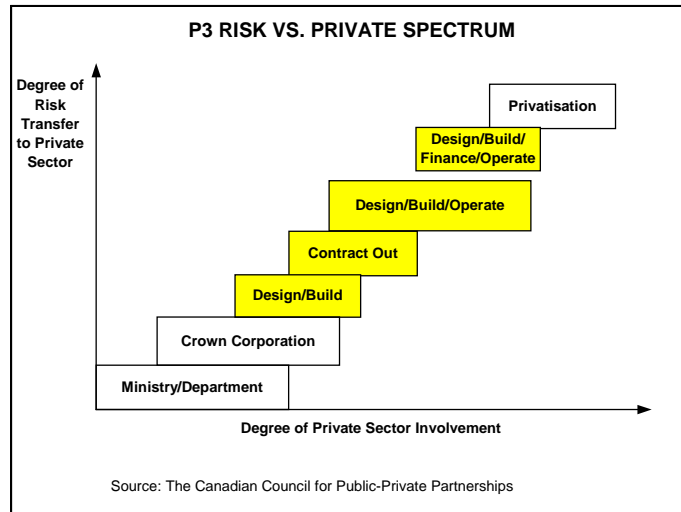


...BUT WILL MERELY PREVENT THE MUNICIPAL GAP FROM WIDENING FURTHER

- Municipal infrastructure gap is growing by roughly \$2 billion per year
- Federal promise, when fully mature, will provide an additional \$2 billion a year to municipalities
- Thus, gas-tax injection would stabilize gap at roughly \$60 billion
- Need to look at alternative approaches to funding infrastructure, led by P3s



BRING THE PRIVATE SECTOR ON BOARD



P3s USED ONLY SPARINGLY IN CANADA, BUT SOME SUCCESS STORIES

- Town of Goderich, Ont. is a leader in initiating P3s for water and wastewater treatment facilities
- Canmore, Edmonton, Hamilton-Wentworth, Halifax, Moncton, and Winnipeg have also experienced success in water P3s
- List of P3 examples at the provincial level in Canada is longer and more diverse, but also at the early stages of the learning curve



TIME TO ELIMINATE ROADBLOCKS TO P3s

Need to educate public in Canada:

- P3s are not privatization
- P3s not necessarily pricier because of higher private sector borrowing costs and need for rate of return because:
 - private sector assumes risk (like absorbing cost over-runs or penalties for missed deadlines)
 - opportunity cost of tying up government resources
 - further public costs if public projects are late, over- budget, or fail
- Need to compare costs and benefits on an objective, even basis



SOME APPEALING FEATURES OF THE UK APPROACH TO P3s

- Standardize contracts for “like” projects
- Define minimum reporting standards
- Continually monitor and evaluate project performance
- Develop a group such as UK Partnerships to centralize resources and provide expertise on P3s