



British Columbia Intelligence Update

By Michael West

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Categories: British Columbia - Health

Executive Summary

British Columbia scores 81.40% on the inspiratia intelligence index up from 79.60%, closing the gap on Canada's leading market, Ontario. The province's Liberal government was re-elected with an increased majority giving it a clean stretch of 4 more years to carry out its plans. Previous terms have relied on P3 to meet infrastructure needs and all projects costing over Can\$50 million are assessed. The pipeline that emerged is progressing with Partnerships British Columbia managing the process. The agency has introduced innovation in its procurement method and other provinces have hired it to manage their P3 programmes. Evergreen Line DBF was brought to financial close with a novel financing model. British Columbia has a positive outlook of 81.90% as financing conditions improve.

British Columbia

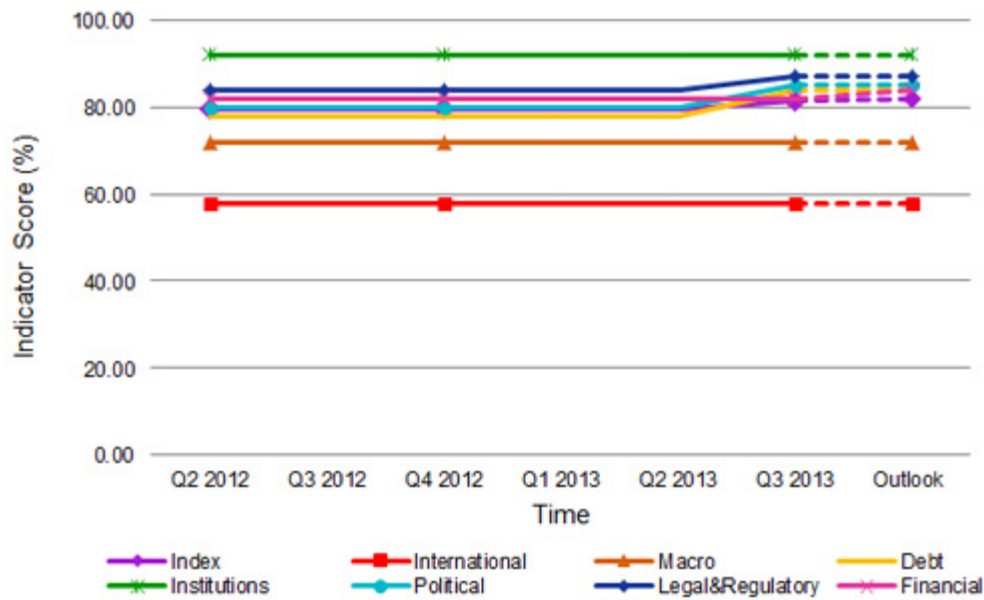
Since inspiratia last visited British Columbia in November 2012 there have been several developments.

The British Columbia Liberal Party won its fourth election in a row on 14 May 2013. The party now holds 49 seats in the Legislative Assembly – as in the last elections, although its majority had decreased to 45 seats in the meantime. The party is a strong proponent of public-private partnerships and private investment into infrastructure and this is expected to continue. The leader of the party Christy Clark failed to be elected in her constituency but a by-election has since seen her enter the assembly as Premier.

Partnerships BC has effectively managed the government's P3 pipeline with deals progressing smoothly. New areas are now being considered for the P3 model with several pathfinder deals working through the system in the education and energy sectors. The agency has also made changes to its procurement process allowing for more innovation.

Other projects have also advanced, such as the Evergreen Line reaching financial close with a novel financial structure and several health P3s. The smooth deal flow has seen several international companies establish offices in Vancouver and the state as they seek to build a local presence.

Graph 1: inspiratia intelligence index: Q2 2012 to present



The province has risen from 79.60% to 81.40% on the inspiratia intelligence index as government policy has led to an increase in the Debt Management Indicator from 78% to 84%. The Political Support Indicator increased from 80% to 85% as recent elections put the government on a firm footing for the next 4 years while the Legal and Regulatory Indicator also improved as Partnerships BC broadens its expertise and improves its procurement method.

The province continues to be ranked lower than Ontario which scores 84.10% on the index but has narrowed the gap. Its position puts it in second place in Canada and third on the global market index.

The province has a positive outlook of 81.10% as the financial environment is set to improve [Graph 1]. Several projects are expected to reach financial close, further establishing the market while the general macro environment is also set to improve.

Table 1: inspiratia intelligence index: breakdown by indicator

	Q2 2013	Q3 2013	Outlook
Index	79.60	81.40	81.90
International	58.00	58.00	58.00
Macro	72.00	72.00	72.00

Debt	78.00	84.00	84.00
Institutions	92.00	92.00	92.00
Political	80.00	85.00	85.00
Legal & Regulatory	84.00	87.00	87.00
Financial	82.00	82.00	84.00

Source: inspiratia | intelligence

Elections

British Columbia held elections on 14 May 2013 with the ruling Liberal party pitted against the opposition New Democratic Party. The Liberals won the largest share of the vote (44.14%) and 49 seats out of 85 in the Legislative Assembly. The NDP came second with 39.71% and 34 seats with the Greens third on 8.13% and 1 seat.

Despite failing to win a seat within the assembly, Christy Clark continued as Premier and leader of the Liberal Party. However, Clark did win a place in the assembly on 10 July in a by-election after Liberal whip Ben Stewart resigned his safe seat.

The Liberal government has been a strong proponent of P3 in British Columbia and its electoral success gives it 4 more years to push its infrastructure agenda.

Premier Clark has highlighted a second crossing across Okanagan Lake as a priority. The first, the William R Bennett Bridge, was carried out as a P3 by the SNC-Lavalin-led Okanagan Lake Concession Limited Partner in 2005. Other potential projects already lined up for assessment include:

- George Massey Tunnel replacement – consultation held in March 2013
- replacement of the Patullo bridge
- extension of the Skytrain system to the University of British Columbia
- Kicking Horse Canyon – phase 4
- St Paul's Hospital
- Royal Columbian Hospital

The City of Prince George is also looking at procuring a Can\$43 million performing arts centre with a 250-seat theatre.

The re-election of the government ensures that previously published papers such as *The Pacific Gateway Transportation Strategy 2012–2020: Moving Goods and People* published in April 2012 and *Canada Starts Here: The BC Jobs Plan* published in September 2011 will remain central to government plans.

Partnerships British Columbia

Partnerships BC – the province's central procurement agency for infrastructure – has developed a new evaluation process increasing collaboration with the private sector during the tendering process.

The new method was first tested on the Interior Heart & Surgical Unit which reached financial close in summer 2012 and is now being used on North Islands and the BC Children's and Women's Hospitals acute care centre.

It allows bidders greater insight into the evaluation criteria permitting them to self-score and giving a better understanding of owners' priorities. It also includes a valuation of possible cost reductions achieved through operational design efficiencies, allowing bidders to gain credit for focusing on this area.

The procurement agency, which is fully-owned by the ministry of finance, has also started work with several other provinces and US states on developing P3 programmes. This demonstrates that the agency is broadening its experience and effective communication ensures this is spread throughout the organisation.

Project Developments

The Evergreen Line project reached financial close on 31 January 2013. The 11km line extends the existing SkyTrain system in Metro Vancouver and is being constructed under a DBF contract. Extensive evaluation was carried out on the project's procurement model and DBF was selected to allow operational and maintenance integration into the existing SkyTrain network.

The deal had a novel financing structure for a DBF project. The Can\$255 million in private financing was provided through a standard loan agreement for Can\$80 million underwritten by Alberta Treasury Branches and a Can\$175 million revolving credit facility provided by the National Bank of Canada. The revolving credit facility is flexible enough to match month-by-month credit requirements during construction thereby reducing interest payments. The 3.5 year contract has a fixed price of Can\$889 million.

British Columbia's projects have traditionally been focused on health, transport and environmental projects but the province is increasingly examining a wider range of sectors, such as education and energy.

Emily Carr University of Art & Design campus is British Columbia's first full university site. It involves the DBFM of a 26,600 square metres campus accommodating 4,800 students. An RFQ was released in March 2013 and a shortlist was published in July.

The John Hart Generating Station Replacement is the first energy project carried out in the province through P3. BC Hydro and Partnerships BC have shortlisted 3 companies for the Can\$1-1.2 billion project with an award expected in late summer 2013.

Municipalities have also increasingly turned to P3 for major infrastructure projects. There have been 5 projects undertaken at local level, though some of the historic deals were done as Design-Build-Operate or with short-term contracts. Momentum is building behind this form of procurement with 4 P3 deals in preparation or tender by municipalities and more expected.

RFPs have been issued for the McLoughlin Point Wastewater Treatment Plant Project to a shortlist of 3, comprising:

- Capital Clear: Dragados Canada and Knappett Projects Harbour
- Resource Partners: AECOM Canada, Graham Infrastructure and SUEZ North America (SENA)
- PCL Partnerships: PCL Constructors Westcoast, Veolia Water Solutions and North America Construction

On the waste front, the Greater Vancouver Sewerage and Drainage District has shortlisted 10 bidders for a waste-to-energy facility.

Meanwhile the city of Surrey has moved ahead with plans to build a biofuels facility issuing an RFQ.

The province is also keeping up with health projects with 2 currently in procurement. An RFP has been issued to shortlisted teams for the North Island Hospitals PPP Project , comprising:

- Arbutus Healthcare Partners: Carillion, Bird, Concert Infrastructure, Kasian Architecture, NBBJ, Campbell Construction,
- Plenary Health: Plenary Group, PCL Constructors, CEI Architecture, Parkin Architects, Johnson Controls
- Tandem Health Partners: Balfour Beatty Capital, Gracorp Capital Advisors, Connor Clark & Lunn GWest Traditional Infrastructure, Graham, Farmer Construction, Stantec, Honeywell

Meanwhile, the BC Children's and Women's Hospital Acute Care Centre PPP has also shortlisted 3 teams:

- Affinity Partnerships
- Oak Street Health Partners
- Plenary Health

Other deals currently being procured by Partnerships BC include:

- Okanagan Correctional Centre (OCC) P3 project – RFP
- Queen Charlotte/Haida Gwaii Hospital – design-build
- Oak Bay High School Replacement project – design-build
- Clinical services building in Kamloops – design-build

The sustained deal flow and British Columbia's commitment to P3 has seen international companies establishing offices to provide a local presence and further their knowledge of the market. For example, Balfour Beatty Capital set up a Vancouver office in November 2012 while DIF Infrastructure III made its first investment in North America in August 2013 with its acquisition of Acciona's 40% stake in British Columbia's Royal Jubilee Hospital P3.

Balanced Budget

In June 2013, the newly elected Liberal government published an update to its May budget. Finance

Minister Michael de Jong presented the plan which targets a balanced budget and a falling debt-to-GDP ratio. Measures announced included bringing forward tax increases and cutting public sector staff. British Columbia retains a triple A rating by Moody's.

Projected GDP growth slowed in the past few months, with the economy set to expand by 1.6% by the end of 2013, down from a previous estimate of 2.1% for 2013 and the measured 1.8% in 2012. Inflation was just 0.2% in April 2013 and is expected to be 0.9% in 2013 overall. There is a continuing upward pressure on prices. Unemployment was 6.7% in 2012 and will remain there during 2013, as job growth has been limited. The rate is then projected to increase slightly to 6.8% in 2014 as job creation remains lower than the population's increase.

Conclusion

British Columbia is building a substantial P3 market on Canada's West Coast. The province and its municipalities are increasingly looking to P3 to provide a greater array of infrastructure with Partnerships BC leading the way, both within and outside the province.

Companies are increasingly establishing offices in Vancouver confirming the market's future viability and expectations for a growing deal pipeline. Re-election of the Liberal government – a firm supporter of P3 – ensures continuity of the programme.

The province is the second highest rated market in Canada, lagging slightly behind Ontario, which comes first due to its diversity and depth of experience. Economic expansion is set to accelerate over the long term as new LNG facilities are developed and an increasingly Pacific-focused Canada sees the province's increasing importance for the national economy. Infrastructure demand is expected to rise and, ensuring that the province can respond to it is a key part of the government's plans.