



BACKGROUND

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Ministry of Health Services
Northern Health

FORT ST. JOHN HOSPITAL AND RESIDENTIAL CARE PROJECT

Financing Structure

The Fort St. John Hospital and Residential Care project is the first public private partnership (PPP) project in British Columbia (B.C.) to utilize a new interim model for financing in the current unsettled credit markets. The interim financing model, referred to as "wide-equity", involves higher-than-normal private equity contributions in combination with construction milestone payments from Northern Health and the Peace River Regional Hospital District.

In a typical PPP arrangement, the private sector would provide both debt and equity financing for the project; however, the cost of private debt relative to Provincial debt has increased in current financial markets. Partnerships BC, the government agency responsible for the delivery of PPPs, explored the use of a variety of temporary credit measures to help manage those impacts and to ensure the project remained affordable.

In the case of large capital infrastructure projects, the Province imposes strict capital spending guidelines, including affordability caps. The wide-equity model used in Fort St. John was applied to keep the project within affordability guidelines while ensuring value for taxpayers' dollars.

With the higher than normal private equity contributions in the project, the contract continues to provide for effective risk transfer. The traditional PPP contract has been amended to provide the Province and Northern Health with enhanced monitoring and security to protect its investment. Northern Health has retained advisors to perform the due diligence functions normally undertaken by commercial banks.

Partnerships BC emphasizes that the measure is temporary and not set to become a permanent feature for future PPP projects. The ideal PPP model will always include the banks and private borrowing. Partnerships BC fully expects to return to that type of model once bank borrowing becomes more affordable.

Government's number one priority is to secure the best deal for British Columbians. By utilizing this approach to financing, the project benefits will be delivered within the project budget.

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