

PPP definition

The term "**public-private partnership**" carries a specific meaning in the Canadian context. First, it relates to the provision of public services or public infrastructure. Second, it necessitates the transfer of risk between partners. Arrangements that do not include these two concepts are not technically "public-private partnerships" and do not fall within the scope of the work being done by CCPPP.

The definition embraced by The Canadian Council for Public-Private Partnerships is as follows:

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 resources, risks and rewards.

Public-private partnerships span a spectrum of models that progressively engage the expertise or capital of the private sector. At one end, there is straight contracting out as an alternative to traditionally delivered public services. At the other end, there are arrangements that are publicly administered but within a framework that allows for private finance, design, building, operation and possibly temporary ownership of an asset.

The term "**privatization**" is used in the case of full divestiture or when a specific function is turned over to the private sector and regulatory control remains a public sector responsibility. Unlike our American counterparts who tend to use the words "privatization" and "public-private partnerships" interchangeably, in Canada "privatization" refers to the furthest point on the PPP spectrum, where most or all assets are held by the private sector. This Canadian definition more closely resembles the terminology used in countries other than the USA.

Models of Public-Private Partnerships

The following terms are commonly used to describe partnership agreements in Canada, although this should not be considered a definitive or complete listing:

Design-Build (DB): The private sector designs and builds infrastructure to meet public sector performance specifications, often for a fixed price, so the risk of cost overruns is transferred to the private sector. (Many do not consider DB's to be within the spectrum of PPP's).

Operation & Maintenance Contract (O & M): A private operator, under contract, operates a publicly-owned asset for a specified term. Ownership of the asset remains with the public entity.

Design-Build-Finance-Operate (DBFO): The private sector designs, finances and constructs a new facility under a long-term lease, and operates the facility during the term of the lease. The private partner transfers the new facility to the public sector at the end of the lease term.

Build-Own-Operate (BOO): The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority.

Build-Own-Operate-Transfer (BOOT): A private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector.

Buy-Build-Operate (BBO): Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer.

Operation License: A private operator receives a license or rights to operate a public service, usually for a specified term. This is often used in IT projects.

Finance Only: A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as a long-term lease or bond issue.

Other terms used in the PPP field:

RFEI: Request for Expressions of Interest

RFQ: Request for Qualifications

RFP: Request for Proposals

Scale of Public-Private Partnerships

The options available for delivery of public services range from direct provision by a ministry or government department to outright privatization, where the government transfers all responsibilities, risks and rewards for service delivery to the private sector. Within this spectrum, public-private partnerships can be categorized based on the extent of public and private sector involvement and the degree of risk allocation. A simplified spectrum including the above models for public-private partnerships follows:

