

handle the volume of vehicles. We have looked at many options to solve these issues, but nearly every solution to one of those issues makes the other issues worse.

Airport traffic has grown steadily by 5 per cent annually over the past decade and the Iqaluit International Airport requires significant investment to support Nunavut's growing population and air transportation demand. The airport is key to the economy of Iqaluit and the territory of Nunavut:

- Air transportation is one of the largest private sector employers in Iqaluit;
- Iqaluit is the largest business gateway to Nunavut with over twenty thousand aircraft movements in 2012;
- The Iqaluit airport records over 30 per cent of all aircraft activity in Nunavut;
- Current passenger movements exceed 140,000 – this has more than doubled since 1985; and
- More than 40 per cent of all Nunavut travelers enplane or deplane at the Iqaluit airport.

The current airport infrastructure will not be able to accommodate the associated increase in air traffic demand without expanded facilities, airside expansion and land development.

What does the project include?

There are four main components to this project:

- 1) Repaving the runway;
- 2) Installation of new runway lights, electrical and other safety-related systems;
- 3) Construction of a new combined services building (CSB) for fire trucks, snow plows etc. as the current building is not big enough to store all of the equipment; and
- 4) Construction of a new airport terminal building (ATB).

Is a Public Private Partnership (P3) the only option or the best option for this project?

The Government of Nunavut (GN) has looked at all the options and determined that a public private partnership is the best use of public funds:

After a detailed analysis of costs, risks, scope, schedule, etc., the partnership approach was selected as the best model for this project as it not only achieves value for taxpayers' dollars, but also transfers risks to the private partner through a performance-based, fixed-price contract.

Under a public private partnership, taxpayers pay for the project as the components of the facility are being built, and then during the operations phase, pay is based on performance. Public private partnerships must demonstrate that public interest will be served and value for money can be achieved, otherwise the project does not proceed as a partnership. Public private partnerships must further provide some mix of the following benefits in order to deliver **good value** to government and to citizens:

- **Timely Delivery:** By taking advantage of a holistic project approach, coupled with the P3 model, government can build the entire infrastructure that the Iqaluit Airport needs in a shorter time period; this, while ensuring a guaranteed, risk-free operation and a strict life-cycle maintenance program for the next 30 years; and at the same time leveraging access to federal funding resources through the PPP Canada Fund.
- **Risk Transfer:** In traditional government construction projects, contractors regularly pass along cost increases from schedule delays and overruns on materials and labour. In those cases the government must also pay to repair problems with ongoing operations and maintenance. Under public private partnerships — especially those in which the private sector is obligated to operate a new facility for a fixed period — the contractor, not government, is liable for those cost risks. And if the contractors don't deliver, they don't get paid.
- **Innovation:** Private companies that are fully responsible for overruns have a greater incentive to innovate at every stage: design, financing, construction methodology, and in operations and maintenance. That innovation accounts for a good part of the overall savings to government and results in better products and services.
- **Job Creation:** Investment creates jobs. Further, building infrastructure — such as schools, arenas, health centres, roads and airports — sets the stage for even more growth and opportunity. And through the contract process, the GN can set requirements for Inuit business and worker involvement.

In all P3 projects, government retains ownership, control and responsibility. By setting standards through contracts and legislation, and by closely monitoring product service and delivery, government ensures that the public's needs are met — and that the public interest is served.

In its simplest terms, a P3 project is a little like a house mortgage — the GN will pay for the project over time, instead of all at once, which allows the GN to deliver other capital projects while this larger one is being undertaken.

Are P3 projects good business?

Currently, there are more than 100 P3 projects in various stages of procurement across Canada, including projects in Victoria, Edmonton, Ottawa, and Toronto. The GN has chosen a procurement process that has proven successful in large and small communities across Canada and abroad.

In the past 20 years, there have been 198 partnership projects across Canada totalling an investment of approximately \$61 billion.

And the overall benefits of a P3 are quite simple:

P3 projects come in on time, on budget, and are performance-based long-term contracts that make the best use of taxpayer dollars.

What is the P3 Process?

Due to the size of this P3 project the process takes longer than most procurement. There are seven stages to a P3 procurement process.

- 1) Develop a basic design that includes all of the components of the project that will be required – it is NOT necessarily even close to the final design but it does visually show all of the elements that are required in the project.
- 2) Issue a Request For Qualifications (RFQ) – this allows interested companies to prove that they have the financial ability and organizational capability to carry out the project.
- 3) Review those who submit a proposal and choose the top three.
- 4) Issue an Request For Proposal (RFP) and invite the top three qualified companies to submit a proposal for the following project components:
 - a. Design;
 - b. Build;
 - c. Finance;
 - d. Operate; and
 - e. Maintenance.
- 5) Review the technical quality of the submissions to ensure they have addressed all project requirements to the standards outlined in the RFP, including safety, efficiency and comfort.
- 6) Choose the successful company based on the lowest cost to provide all project components.
- 7) Finalize and execute the contract – making sure what is in the proposal is in the contract and will be reflected in the finished product and services to be delivered.

Where are we in the process and why is everything so confidential?

Right now, the GN is working to complete stage seven. A successful company has been chosen and the contract is currently being finalized.

Like all procurement done by the GN, the process and the contents of contracts are confidential until signed by both parties.

At this time, negotiations are running smoothly and the signing should take place on schedule in mid-September.

Why are we paying for 30 years and what will we get back at the end?

This is long term planning – it's what good governments do. They look at building infrastructure that lasts long after the term of their members.

And what we get at the end is in good condition – there are hand-back conditions written into the contract so that the airport can continue to operate for years following the end of the contract term.

The airport must be well-maintained so that when it is returned to the government there is at least 10 years functionality left in all components of the project.

How will Inuit be involved in this project if it is not run by Inuit companies?

An alternative to the NNI Policy has been carefully developed for the Iqaluit International Airport P3 project to ensure that the letter and intent of Article 24 of the NLCA are respected.

We have worked with Nunavut Tunngavik Incorporated (NTI) and larger Inuit firms on the development of an alternative to the NNI Policy, and their feedback has informed our procurement approach.

The private partner will be required to achieve mandatory minimum requirements for Inuit firms and Inuit labour, and there will be a strong emphasis on Inuit training.

More questions?

Media – Please call for an interview anytime to discuss those areas not covered by the confidentiality of the procurement process outlined above.

Nunavummiut – As soon as the project has a signed financial contract in place (mid-September), the GN will hold a public meeting in Iqaluit where Nunavummiut can ask a panel of committee members any questions they have. The date, time and location will be posted

around town, on the GN's Twitter and Facebook page, and on the Iqaluit Public Service Announcements Facebook page as soon as we have confirmation.

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