Ontario

INFRASTRUCTURE ONTARIO

VALUE FOR MONEY ASSESSMENT

BLUEWATER HEALTH REDEVELOPMENT PROJECT

www.infrastructureontario.ca

PRICEWATERHOUSECOOPERS

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Private & Confidential

October 5, 2007

Bert Clark,
Senior Vice President
Infrastructure Ontario
777 Bay Street, Suite 900
Toronto, Ontario M5G 2C8

Dear Mr. Clark:

Re: Bluewater Health Capital Redevelopment Project

We have prepared the Value for Money ("VFM") assessment of the Bluewater Health Capital Redevelopment Project ("Bluewater Project") in accordance with the terms of our contract with Infrastructure Ontario ("IO") dated April 23, 2006.

For the Bluewater Project, the VFM summary assessment is based on a comparison of the total project costs at financial close as follows:

1. The traditional delivery approach reflected in the Public Sector Comparator ("PSC") model as compiled by us; and
2. The Alternative Financing and Procurement ("AFP") approach based on the final offer of the successful proponent.

Based on the above analysis, the Bluewater Project demonstrates projected VFM savings of $16.2 million (or 6.1%) under the AFP approach compared to the traditional delivery approach.

We did not audit or attempt to independently verify the accuracy or completeness of the information or assumptions underlying the PSC, which were provided by IO, and/or the successful proponent's final offer, nor have we audited or reviewed the successful proponent's financial model.

Yours truly,

Michael Jordan

Michael Jordan
Partner

October 4, 2007

Mr. Steven Richards
Vice President, Project Legal Services
Infrastructure Ontario
777 Bay Street, 6th Floor
Toronto, Ontario M5G 2C8

Subject: Bluewater Health Capital Redevelopment Project RFP No. OIPC-06-10-I011

Dear Mr. Richards:

P1-Consulting acted as the Fairness Commissioner to review and monitor the communications, evaluations and decision-making processes that were associated with the procurement process for the **Bluewater Health Capital Redevelopment Project** in terms of ensuring fairness, equity, objectivity, transparency and adequate documentation of the evaluation process.

The primary objective of Bluewater Health Capital Redevelopment Project is to renew, revitalize and expand a publicly-owned facility while incorporating private sector innovation and expertise, using Infrastructure Ontario's build finance model. The RFP process was used to select a pre-qualified proponent to build-finance the Hospital's construction and renovation project.

The **Bluewater Health Capital Redevelopment** Project will incorporate both new construction and renovation work. There will be new construction of a 5-storey building of approximately 325,000 sq. ft. ("Building A"), while the renovation will involve work on two existing hospital buildings (approximately 130,000 sq. ft.): the Norman St. Building, ("Building B") and the Russell St. Building ("Building C").

In our role as Fairness Commissioner, P1-Consulting made certain that the following steps were taken to ensure a fair and open process:

- Compliance with the requisite procurement policies and procedures and the laws of tendering for the acquisition of services relating to public sector procurement;
- Adherence to confidentiality of bids, as applicable, and the evaluation process;
- Objectivity and diligence during the procurement process in order to ensure that it was conducted in an open and transparent manner;
- Proper definition and use of evaluation procedures and assessment tools in order to ensure that the process was unbiased;
- Compliance of project participants with strict requirements of conflict of interest and confidentiality during the procurement and evaluation processes;
- Security of information;
- Prevention of any conflict of interest amongst evaluators on the selection committee;
- Oversight to provide a process where all Bidders were treated fairly.

The Fairness Commissioner actively participated in the following steps in the process to ensure that fairness was maintained throughout:

Property One Consulting Inc.

86 Centrepointe Drive, Ottawa, Ontario, Canada K2G 6B1 T: (613) 723-0060 F: (613) 723-9720

- Project kick-off meeting
- Review session of the Draft RFQ and RFP Documents
- Commercially Confidential Meetings with the pre-qualified Bidders by interested Bidders
- Site and facility visits by the Proponent
- Review of the RFQ and RFP Addenda
- Review of evaluation process and guideline
- Proposal receipt, bid evaluation and selection of the Negotiation Proponents
- Oversight of the Negotiation Process

The final step in the process, which we oversaw, was for the Sponsors to select the Preferred Proponent. EllisDon Corporation was advised that they were the Preferred Proponent on August 16th, 2007, as per Section 3.1 of the RFP.

As the Fairness Commissioner for the **Bluewater Health Capital Redevelopment Project**, we certify that, to date, the principles of fairness, openness, consistency and transparency have, in our opinion, been maintained throughout procurement process. Furthermore, no issues emerged during the process, of which we were aware, that would impair the fairness of this initiative.

Yours truly,

Louise Panneton
Lead Fairness Commissioner

Bluewater Health
Artist's Rendering

Farrow Partnership Architects Inc.

Enhanced Services at Bluewater Health

Facilities and services	Service level/Percentage increase
Overall space	The addition of approximately 325,000 square feet will almost double the existing hospital
Acute care beds	32 per cent increase from 161 beds to 213
Expanded emergency department	The new emergency department will almost double in size
Additional rooms	Eight new operating rooms and four new procedure rooms

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Summary

ReNew Ontario 2005-2010 is a $30 billion-plus strategic infrastructure investment plan to modernize, upgrade and expand Ontario's public infrastructure.

An update to ReNew Ontario was released in July 2007 and is available at www.pir.gov.on.ca

Infrastructure Ontario is an essential component of the ReNew Ontario plan. The Crown Corporation ensures that new infrastructure projects are delivered on time and on budget.

The Bluewater Health redevelopment project will involve the new construction of a seven-storey building and renovations to the existing Norman Street and the Russell Street buildings.

The public sector retains ownership, control and accountability for the hospital, including the new facilities.

The purpose of this report is to provide a summary of the project scope, procurement process and the project agreement, and to demonstrate how value for money was achieved by delivering the Bluewater Health project through the AFP process.

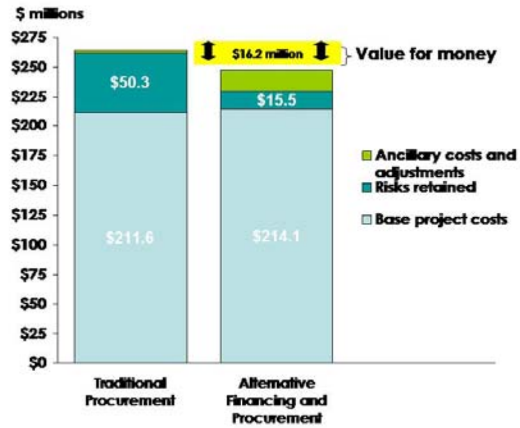
The value for money analysis refers to the process of developing and comparing the total project costs, expressed in dollars measured at the same point in time and related to two delivery models.

Value for money is determined by directly comparing the cost estimates for the following two delivery models:

Model #1 Traditional project delivery (Public sector comparator)	Model #2 Alternative financing and procurement
Total project costs that would have been incurred by the public sector to deliver an infrastructure project under traditional procurement processes.	Total project costs incurred by the public sector to deliver the same infrastructure project with identical specifications using the AFP approach.

The cost difference between model #1 and model #2 is the estimated value for money for this project.

The value for money assessment of the Bluewater Health project indicates estimated cost savings of 6.1 per cent or $16.2 million, by using the AFP approach in comparison to traditional delivery.



> ***"We are thrilled to be moving forward with a redevelopment project that will allow our highly trained staff and doctors to continue in their efforts of providing quality patient care."***
>
> **Sue Denomy, Bluewater Health, Acting President and CEO**

PricewaterhouseCoopers completed the value for money assessment of the project. Their assessment demonstrates projected cost savings of 6.1 per cent by delivering the Bluewater Health project using the AFP model, over what it would have cost to deliver the project using a traditional delivery model (see page 12).

Property One Consulting acted as the Fairness Monitor for the project. They reviewed and monitored the communications, evaluations and decision-making processes associated with the Bluewater Health project, ensuring the fairness, equity, objectivity, transparency and adequate documentation of the process. Property One Consulting certified that these principles were maintained throughout the procurement process.

Infrastructure Ontario will work with Bluewater Health on the redevelopment of the hospital, which will remain publicly owned, publicly controlled and publicly accountable.

Project description

Background

ReNew Ontario 2005-2010 is a $30 billion-plus strategic infrastructure investment plan to modernize, upgrade and expand Ontario's public infrastructure. An update to ReNew Ontario was released in July 2007 and is available at www.pir.gov.on.ca

Infrastructure Ontario is an essential component of the ReNew Ontario plan. The Crown Corporation ensures that new infrastructure projects are delivered on time and on budget.

Under the ReNew Ontario plan, projects may be assigned to Infrastructure Ontario by the provincial government, which uses a made-in-Ontario project delivery model called Alternative Financing and Procurement (AFP). AFP brings private-sector expertise, ingenuity and rigour to the process of managing and renewing Ontario's public infrastructure, while shifting risks associated with cost and schedule overruns away from the public sector.

Ontario's public infrastructure projects are guided by the five principles set out in the provincial government's *Building a Better Tomorrow Framework*:

1. public interest is paramount;
2. value for money must be demonstrable;
3. appropriate public control and ownership must be preserved;
4. accountability must be maintained; and
5. all processes must be fair, transparent and efficient.

Bluewater Health

With hospital sites in Sarnia and Petrolia, Bluewater Health has a total of 320 beds and provides care for 319,000 patients each year. The hospital has 1,700 staff, 100 credentialed physicians and is supported by 800 volunteers.

The Government of Ontario approved the Bluewater Health project to be delivered under the AFP model in its 2005-2006 Capital Plan.

Job Creation

The redevelopment project will create economic opportunities in the Sarnia and Lambton areas for skilled tradespeople, subcontractors and their suppliers. Over the 4-year construction period, there will be an estimated 100 to 150 workers on site daily.

Project Scope

The Bluewater Health project will include two phases and will involve the construction of a new seven-storey building, of which five floors will be for medical use and two will be for mechanical and electrical services. The project will also include ancillary construction and renovations to the existing Norman Street and the Russell Street buildings.

Overall, the project will involve renovations to approximately 130,000 square feet of existing space and the addition of approximately 325,000 square feet of new space, which will almost double the hospital's size.

Once the project is completed, Bluewater Health will house:

- an emergency department that is significantly larger than the current emergency facilities;
- a surgical centre with eight new operating rooms and four new procedure rooms to replace existing surgical facilities;
- a consolidated maternal infant child program, which will, for the first time, offer labour, birthing and paediatric services on one floor;
- an increase in the number beds, resulting in a total bed capacity of up to 337 beds at the new redeveloped Sarnia site; and
- a bridge that will join the new building with the Norman Street building.

Competitive selection process timeline

Bluewater Health has entered into a project agreement and a guaranteed maximum price contract with EllisDon Corporation to build and finance the facility. The procurement stages for the Bluewater Health redevelopment project were as follows:

March 21, 2006 – April 20, 2006
Request for qualifications
A request for qualifications (RFQ) was issued inviting interested builders to submit their qualifications to undertake the project. Four companies pre-qualified as RFP proponents:

- Bondfield Construction Company Ltd.
- EllisDon Corporation
- PCL Constructors Inc.
- SNC-Lavalin Group Inc.

October 20, 2006 – February 7, 2007
Request for proposals
A request for proposals (RFP) was issued to the qualified proponents, setting out the bid process and proposed project agreement and guaranteed maximum price contract to build and finance the project.

January 15, 2007, February 22, 2007, March 19, 2007 and April 23, 2007

RFP Extensions granted
Infrastructure Ontario and Bluewater Health granted four RFP extensions to provide proponents additional time to obtain sub-contractor pricing.

May 1, 2007
RFP Closed

Bid submission
Bids were submitted and evaluated by Infrastructure Ontario and Bluewater Health using the evaluation criteria set out in the RFP.

August 16, 2007
Preferred proponent notification
EllisDon Corporation was selected as the successful RFP proponent on the basis of their proposed price and project schedule, in accordance with the evaluation criteria set out in the RFP.

August 29, 2007 and October 4, 2007
Commercial close and Financial Close
The guaranteed maximum price contract was executed by EllisDon Corporation and Bluewater Health.

Financing for EllisDon Corporation to complete the project was arranged by Pacific & Western Bank of Canada.

October 2007 – October 2011
Construction
Construction began in October, 2007. During the construction period, the builder's construction costs will be funded by its lending group as arranged by Pacific & Western Bank of Canada through monthly drawdown requests from EllisDon Corporation. Construction will be carried out in accordance with the guaranteed maximum price contract.

Completion and payment
Completion and payment will occur in two stages. Occupancy of the new tower will indicate the completion of Phase I, at which time a portion of the financing will be repaid by Bluewater Health through funding from the Ministry of Health and Long-Term Care and the Hospital's fundraising efforts. It is anticipated that the final substantial completion of the Bluewater Health project will be reached in 2011, at which time the remainder portion of financing will be repaid by Bluewater Health through funding from the Ministry of Health and Long-Term Care and the Hospital's fundraising efforts.

Hospital Funding
The government's new hospital funding policy announced in June 2006, simplifies the Ministry of Health and Long-Term Care's funding formula. In the past, the Ministry's capital cost share rates varied from 50 per cent to 80 per cent, depending on the project. The new provincial portion of the construction costs will now equal 90 per cent of eligible construction. Under this new policy, hospitals will be responsible for 10 per cent of the eligible construction costs, otherwise known as their local share, as well as the costs associated with the purchase of new and replacement equipment.

Project agreement

Legal and Commercial Structure

Bluewater Health entered into a project agreement and a guaranteed maximum price contract (project documents) with EllisDon Corporation to carry out the construction and financing of the Bluewater Health redevelopment project. Under the terms of the project documents, EllisDon Corporation will:

- build the Bluewater Health project which will be completed in 2011;
- provide a financing package for project construction; and
- ensure that, at the end of construction, the building meets the requirements specified in the project documents.

Bluewater Health will remain publicly owned, publicly controlled and publicly accountable, including the new facilities constructed as a result of the project.

Construction and completion risk

Key risks associated with the construction of the facilities have been transferred to the builder by way of the project documents, including:

Construction price certainty

EllisDon Corporation will construct the facilities for a guaranteed maximum price of **$214.1 million, including their financing costs**. The builder's guaranteed maximum price may only be adjusted in very specific circumstances, agreed to in advance, in accordance with the change order procedures of the project documents.

Scheduling, project completion and delays

EllisDon Corporation has agreed to reach completion of Phase I construction facilities by 2010 and substantial completion by 2011. The construction schedule can only be modified in very limited circumstances, in accordance with the project documents. Bluewater Health's repayment of the construction financing will not commence until Phase I completion and final substantial completion (i.e., until it has completed building the project and it has been certified as complete by Bluewater Health's consultant).

Costs associated with delays that are the responsibility of the builder must be paid by the builder.

Design co-ordination

The guaranteed maximum price contract provides that EllisDon Corporation is responsible for all design coordination activities to ensure that the facilities are constructed in accordance with the design. Under the traditional model, the costs of these risks would have been borne by Bluewater Health.

Costs associated with design deficiencies that are the responsibility of the builder must be paid by the builder.

Construction financing

EllisDon Corporation is required to finance the construction of the project until the facility is deemed to have reached completion. The project documents provide that the builder will be responsible for all increased financing costs resulting from any builder delay in reaching Phase I completion and final substantial completion. This shifts significant financial risk to the builder for late delivery.

Schedule contingency

The project documents provide Bluewater Health with a 30-day schedule contingency, also known as a schedule cushion, which shields Bluewater Health for up to 30 days of delay costs for which Bluewater Health is responsible. While delays caused by Bluewater Health are expected to be minimal, the schedule cushion provides the hospital with some protection from the risk of delay claims by the builder.

Commissioning and facility readiness

The builder must achieve a prescribed level of commissioning of the new facility at Phase I completion and at substantial completion. The builder must also co-ordinate the commissioning activity within the agreed upon construction schedule. This assures that Bluewater Health will receive a functional building facility at the time the hospital pays for the work.

Activity protocols

The builder and Bluewater Health's consultant, Farrow Partnership Architects Inc., are required to establish a schedule for project submittals by the builder which takes into account the timing for issuance of supplemental instructions by Bluewater Health's consultant. This protocol mitigates against the builder alleging delay as a result of an inability to receive supplemental instructions in a timely manner in the course of the work.

In addition to the above key risks being transferred to the builder under the project documents, the financing arrangement entered into by EllisDon Corporation and Pacific & Western Bank of Canada ensures that the project is subject to additional oversight, which may include:

- an independent budget review by a third party cost consultant;
- monthly reporting and project monitoring by a third party cost consultant;
- the requirement that change orders must be within the project contingency or funded by Bluewater Health; and
- the requirement that prior approval be secured for any changes made to the project budget in excess of a pre-determined threshold.

Change order protocol

In addition to the variation procedure set out in the project documents, Infrastructure Ontario's change order protocol with Bluewater Health sets out the principles for any changes to the project work/scope during the construction period. These principles include:

- requiring processing and approval of change orders by Bluewater Health;
- specifying the limited criteria under which change orders will be processed and applied;
- timely notification of change orders to Infrastructure Ontario;
- approval by Infrastructure Ontario for all owner-initiated scope changes;
- approval by Infrastructure Ontario for any change orders which exceed pre-determined thresholds; and
- approval by Infrastructure Ontario when the cumulative impact of the change orders exceeds a pre-determined threshold.

Achieving value for money

PricewaterhouseCoopers' value for money assessment demonstrates a projected cost savings of 6.1 per cent, or $16.2 million, by using the alternative financing and procurement (AFP) approach to deliver the Bluewater Health project, as opposed to the traditional procurement approach.

PricewaterhouseCoopers was engaged by Infrastructure Ontario to independently assess whether – and, if so, the extent to which – value for money will be achieved by delivering this project using the AFP method. Their assessment was based on the value for money assessment methodology outlined in *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which can be found at www.infrastructureontario.ca. The approach was developed in accordance with best practices used internationally and in other Canadian provinces, and was designed to ensure a conservative, accurate and transparent result. Please refer to the letter from PricewaterhouseCoopers on page 2.

Value for money concept

The goal of the AFP approach is to deliver a project on time and on budget and to provide real cost savings for the public sector.

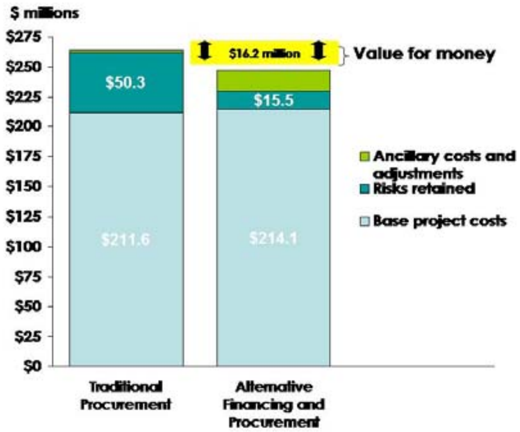
The value for money analysis compares the total estimated costs, expressed in future dollars and measured at the same point in time, of delivering the same infrastructure project under two delivery models; the traditional delivery model (public sector comparator or "PSC") and the AFP model.

Model #1 Traditional project delivery (Public sector comparator)	Model #2 Alternative financing and procurement
Total project costs that would have been incurred by the public sector to deliver an infrastructure project under traditional procurement processes.	Total project costs incurred by the public sector to deliver the same infrastructure project with identical specifications using the AFP approach.

The cost difference between model #1 and model #2 is referred to as the value for money. If the total cost to deliver a project under the AFP approach (model #2) is less than the total cost to deliver a project under the traditional delivery approach (model #1), there is said to be positive value for money. The value for money assessment is completed to determine which project delivery method provides the greatest level of cost savings to the public sector.

The cost components in the VFM analysis include only the portions of the project costs that are being delivered using AFP. Project costs that would be the same under traditional delivery or AFP, such as land acquisition costs, furniture, fixtures and equipment, are excluded from this VFM calculation.

The value for money assessment is developed by obtaining detailed project information and input from multiple stakeholders, including internal and external experts in hospital project management and construction project management. Components of the total project costs under each delivery model are illustrated on the following page:



It is important to keep in mind that Infrastructure Ontario's value for money calculation methodology does not attempt to fully quantify a broad range of qualitative benefits that may result from using the AFP delivery approach. For example, the use of the AFP approach will more likely result in a project being delivered on time and on budget. The benefits, however, of having a project delivered on time cannot always be accurately quantified. For example, it would be difficult to put a dollar value on the people of Ontario gaining access to an expanded health care facility sooner than would be the case with a traditionally-financed project.

Other qualitative benefits relate to the existence of Infrastructure Ontario – a central organization to coordinate the development of a number of large infrastructure projects. Infrastructure Ontario has standardized documents, increased up-front due diligence and applied best practices to each of its projects; however, it would be difficult to quantify these benefits.

These qualitative benefits, while not fully quantified in this value for money analysis, are additional benefits of the AFP approach that should be acknowledged.

Value for money analysis

For a fair and accurate comparison, the traditional delivery and AFP costs are future-valued to substantial completion to compare the two methods of delivering the project at the same point in time. It is Infrastructure Ontario's policy to use the current public sector rate of borrowing for this purpose to ensure a conservative and transparent analysis. For more information on how project costs are future-valued and value for money methodology, please refer to *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which is available online at www.infrastructureontario.ca.

Base costs

Base project costs are taken from the price of the contract signed with EllisDon Corporation, and include all construction and financing costs. The base costs between AFP and the traditional delivery model differ in two respects:

1. Under AFP, the private party charges an additional premium as compensation for the risks that the public sector has transferred to them under the AFP project documents. In the case of traditional delivery, the private party risk premium is not included in the base costs as the public sector retains these risks.
2. The financing rate that the private sector is charged is higher than the financing rate of the public sector, and is not included in the traditional delivery base costs.

In the case of the AFP model, the base costs are extracted from the price agreed among the parties under the project agreement. For the Bluewater Health project, these were $214.1 million.

If the traditional model had been used for the Bluewater Health project, base costs are estimated to have been $211.6 million.

Risks retained

The public sector has always had to bear costs that go beyond a project's base costs. Total project costs exceed base costs in large part due to project risks.

Project risks may be defined as potentially adverse events that may have a direct impact on project costs. To the extent that the public sector retains these risks, they are included in the estimated project cost.

The concept of risk transfer and mitigation is key to understanding the overall value for money assessment. To estimate and compare the total cost of delivering a project under the traditional delivery versus the AFP method, the risks borne by the public sector (which are called "retained risks") should be identified and accurately quantified.

Comprehensive risk assessment not only allows for a fulsome value for money analysis, but also helps Infrastructure Ontario and the public sector sponsors ensure that the party best able to manage, mitigate and/or eliminate the project risks, is allocated those risks under the project documents.

Under the traditional delivery method, the risks retained by the public sector would be significant. As discussed on pages 13-14, the following are examples of risks retained by the public sector under the traditional delivery method that have been transferred under the project agreement from the public sector to the builder:

- construction price certainty;
- scheduling, project completion and potential delays;
- design co-ordination;
- construction financing;
- schedule contingency;
- commissioning and facility readiness; and
- activity protocols

Examples of these risks include:

- *Design coordination/completion:* Under the AFP approach the builder is responsible for design coordination activities to ensure that the facilities are constructed in full accordance with the design in the Project Agreement. The builder is responsible for: inconsistencies, conflicts, interferences or gaps in the contract documents and particularly in the plans, drawings and specifications; and design completion issues which are specified in the contract documents but erroneously left out in the drawings and specifications.
- *Scheduling, project completion and delays:* Under the AFP approach, the builder has agreed that it will provide the facility for use by the Province by a fixed date and at a pre-determined price to the Province. Therefore, any extra cost (financing or otherwise) incurred as a result of a schedule overrun caused by the builder will not be paid by the Province, thus providing a clear motivation to maintain the project's schedule. Further oversight includes increased upfront due diligence and project management controls imposed by the builder and the builder's lender.

Under the traditional approach, these risks would have been borne by the public sector. For example, design coordination risks that materialize would be carried out through a series of change orders issued during construction. Such change orders would, therefore, be issued in a non-competitive environment, and would typically result in a significant increase in overall project costs for the public sector.

The added due diligence brought by the private party's lenders, together with the risk transfer provisions in the project documents result in overall cost savings as these transferred risks will either be better managed or completely mitigated by the private sector builder.

A detailed risk analysis of the Bluewater Health project concluded that the average value of project risks retained by the public sector under traditional delivery is $50.3 million. The analysis also concluded that the average value of project risks retained by the public sector under the AFP delivery model decreases to $15.5 million.

For more information on the risk assessment methodology used by Infrastructure Ontario, please refer to Altus Helyar's *Build-Finance Risk Analysis and Risk Matrix*, available at www.infrastructureontario.ca.

Ancillary Costs and other adjustments

There are significant ancillary costs associated with the planning and delivery of a large complex project that could vary depending on the project delivery method. For example, there are costs related to each of the following:

- *Project management:* These are essentially fees to manage the entire project. Under the AFP approach, these fees will also include the costs of Infrastructure Ontario.
- *Transaction costs:* These are costs associated with delivering a project and consist of legal fairness and transaction advisory fees. Architectural and engineering advisory fees are also incurred to ensure the facility is being built according to specifications.

These costs are quantified and added to both models for the value for money comparison assessment. Both project management and transaction costs are likely to be higher under AFP given the greater degree of up-front due diligence. The ancillary costs for the Bluewater Health project, under the traditional delivery method are estimated to be $1.9million as compared to $6.0 million under the AFP approach. For the Bluewater project a further adjustment of $12.1 million has been made under the AFP model to reflect additional notional public financing costs resulting from the payment at Phase I completion, scheduled in 2010, to the private party, and covering the period between Phase I completion and the project substantial completion. It is important to note that the payment at completion of Phase I will only be made at the successful completion of a clearly defined phase of the project, occupancy of the new tower in this case, and that the project risk allocation is not materially affected.

For a detailed explanation about ancillary costs, please refer to *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which is available online at www.infrastructureontario.ca.

Calculating value for money

The analysis completed by PricewaterhouseCoopers concludes that the additional costs associated with the AFP model are more than offset by the benefits of the AFP model, which include: a much more rigorous upfront due diligence process, reduced risk to the public sector, and controls imposed by both the lender's and Infrastructure Ontario's standardized AFP procurement process.

Once all the cost components and adjustments are determined, the aggregate costs associated with each delivery model (i.e., traditional delivery and AFP) are calculated, and expressed in Canadian dollars, as at substantial completion date. In the case of the Bluewater Health project, the estimated traditional delivery costs (i.e. PSC) is $263.8 million as compared to $247.7 million under the AFP delivery approach.

The positive difference of $16.2 million or 6.1 per cent between the above project costs represents the estimated value for money for using the AFP delivery approach in comparison to the traditional delivery model.