



VALUE FOR MONEY ASSESSMENT

THE CREDIT VALLEY HOSPITAL PHASE II EXPANSION AND REDEVELOPMENT PROJECT



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Infrastructure Ontario
777 Bay Street
Toronto, Ontario
M5G 2C8
Attn: Carole Malo

Re: Final Value for Money Assessment – Mississauga Credit Valley Hospital Project

Dear Ms. Malo:

KPMG LLP (“KPMG”) has prepared the Value for Money (“VFM”) assessment for the Mississauga Credit Valley Hospital Project (“Project”) at the Financial Close stage, in accordance with our letter of engagement with Infrastructure Ontario (“IO”) and IO’s methodology *Assessing Value for Money: A Guide to Infrastructure Ontario’s Methodology*. This methodology is consistent with approaches used in other jurisdictions.

The VFM assessment is based on a comparison of the total project costs at substantial completion for the Project under:

1. The traditional delivery approach, as reflected in the Public Sector Comparator (“PSC”) model; and
2. The Alternative Finance and Procurement approach (“AFP”), incorporating the Successful Bidder’s proposed costs.

The VFM assessment was calculated using the following information (collectively the “Information”) within the VFM model:

- i. A Risk Matrix developed for IO by Altus Helyar and adapted by IO to reflect Project specific risks; and
- ii. Cost and other input assumptions extracted from the bid submitted by the Successful Bidder and other VFM model assumptions as provided by IO.

We have not audited or attempted to independently verify the reasonableness, accuracy or completeness of the Information.

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Based on our understanding of IO's VFM methodology, we can confirm that, the Information has been appropriately used in the VFM model, and that the VFM assessment demonstrates the AFP approach provides estimated cost savings of 11.67% in comparison to the traditional delivery approach.

Yours very truly

A handwritten signature in black ink that reads 'Will Lipson'.

KPMG LLP

Will Lipson
Managing Director
Toronto, Ontario
June 6, 2008

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Knowles

A Hill International Company

June 18, 2007

Mr. Andres Duran
Legal Counsel
Infrastructure Ontario
777 Bay Street, 6th Floor
Toronto, ON M5G 2C8

Re: Credit Valley Hospital Phase II Redevelopment Project

Dear Andres,

Knowles Consultancy Services Inc. was retained to provide Fairness Monitoring services for the above-mentioned project. Our role was to review Infrastructure Ontario's procurement process from the submission of proposals to the selection of the Preferred Proponent. This was done to ensure that the processes used were in accordance with the provisions of the RFP document.

The Credit Valley Hospital Expansion and Redevelopment Phase II Project consists of approximately 270, 000 square feet of new construction and approximately 70,000 square feet of renovation space. It will be delivered using the build-finance model implemented under Ontario's Building a Better Tomorrow framework.

Only parties that were pre-qualified through the Project's Request for Qualifications process that preceded this RFP were eligible to participate.

Our conclusions are based on our first hand observations of the process, the documents used and information provided by the procurement project team.

In our capacity as Fairness Monitor, we:

- Took the process as outlined in the RFP as our starting point;

- Attended the site visits and all meetings with Proponents;
- Monitored all communications with Proponents;
- Monitored the evaluation and negotiations process.

As Fairness Monitor we can attest to the fact that the overall process used was consistent with the stipulations of the RFP. This includes:

- The diligence applied to the overall evaluation process;
- The consistent application of the evaluation criteria among Proponents as well as the use of only the published evaluation criteria in making judgements;
- The consistency of Proponent treatment;
- The communications with Proponents, including notification of changes in requirement;
- The negotiation process.


In addition, the Evaluators used were appropriately qualified and IO staff and external advisors adhered to conflict of interest and confidentiality requirement.

In conclusion, we can attest to the fact that, within the framework established by the RFP document, the evaluation process was conducted in a procedurally fair, open and transparent manner.

As a result of the procurement process:

- Three proposals were received from the five pre-qualified Proponents for this competition. Two of the pre-qualified Proponents chose not to submit a proposal;
- A Preferred Proponent was selected after a negotiations process was completed which was satisfactory to both parties.

Yours truly,
Knowles Consultancy Services Inc.



John Campbell

The Credit Valley Hospital Phase II Expansion and Redevelopment Project Architect's rendering



Farrow Partnership Architects Inc.

Highlights of the Expansion of Services

Highlights

	Current	At completion	Increase
Increased bed capacity	392	471	20%
Expanded laboratory	15,000	42,000	100+%
Labour and delivery rooms	7	15	100+%
Bassinets for pre-term newborns and specialized neonatal care	22	37	68%

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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.ontario.ca/mej.

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 Credit Valley Hospital Phase II Expansion is one of the redevelopment projects to be delivered under the province's Alternative Financing and Procurement (AFP) delivery model. The Credit Valley Hospital project includes approximately 270,000 square feet of new construction and more than 70,000 square feet of renovations. This will increase the hospital's size by almost one-third. Bed capacity will increase from 392 to 471 beds; the number of labour and delivery rooms will double (from seven to 15); resources for cancer treatment will expand and in-house diagnostic lab space will triple.

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, the procurement process and the project agreement, and to demonstrate how value for money was achieved by delivering The Credit Valley Hospital's project through the AFP process.

The value for money analysis refers to the process of developing and comparing the total project costs under two different delivery models expressed in dollar values measured at the same point in time. This is referred to as "future value." Future value is a measurement that determines the value of a given sum of money, at a

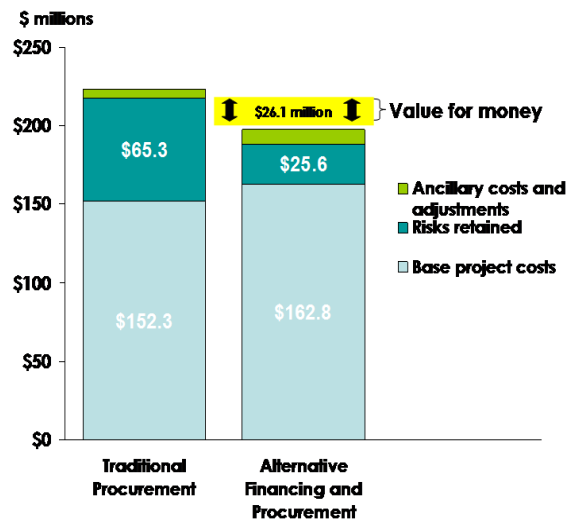
specified time in the future, assuming a specified interest rate.

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 Credit Valley Hospital redevelopment project indicates estimated cost savings of 11.67 per cent or \$26.1 million, by using the AFP approach in comparison to traditional delivery.



“We appreciate the government’s continued commitment and support of the redevelopment at The Credit Valley Hospital. Our patients, staff and community will benefit from having an expanded facility designed to meet the growing health care needs of Peel and Halton residents.”
Wayne Fyffe, President and CEO, The Credit Valley Hospital

KPMG completed the value for money assessment of this project. Their assessment demonstrates projected cost savings of 11.67 per cent by delivering the project using the AFP model versus what it would have cost to deliver the project using a traditional delivery model (see page 14).

Knowles acted as the Fairness Monitor for the project. They reviewed and monitored the communications, evaluations and decision-making processes associated with The Credit Valley Hospital project, ensuring the fairness, equity, objectivity, transparency and adequate documentation of the process. Knowles certified that these principles were maintained throughout the procurement process.

Infrastructure Ontario will work with The Credit Valley Hospital on the Phase II Expansion and Redevelopment Project, 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.ontario.ca/mei

Infrastructure Ontario is an essential component of the *ReNew Ontario* plan. The Crown Corporation was created in 2005 to ensure 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, which include:

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.

The Credit Valley Hospital Phase II Expansion and Redevelopment Project

The Credit Valley Hospital is a community hospital providing leadership in the delivery of primary, secondary and tertiary health care services to the diverse residents of Peel and Halton regions. The

hospital serves a catchment area of almost one million patients.

The hospital has more than 2,000 employees, more than 300 physicians and 554 volunteers.

The hospital's 24-hour Emergency Department manages more than 60,000 visits annually. Approximately one-third of those are paediatrics visits. The Credit Valley Hospital provides a broad spectrum of clinical services including general medicine, renal dialysis, oncology, mental health, paediatrics, continuing care/rehabilitation, genetics and a network of supporting departments.

The Government of Ontario approved redevelopment of The Credit Valley Hospital to be delivered under the AFP model in its 2005-2006 Capital Plan.

Job Creation

The redevelopment project will also create economic value as skilled tradespeople, subcontractors and their suppliers benefit from the capital investment. At the peak of construction period, approximately 150 workers will be employed on the site.

Project Scope

The redevelopment project at The Credit Valley Hospital includes approximately 270,000 square feet of new construction and more than 70,000 square feet of renovations. Bed capacity will increase from 392 to 471 beds, with room for additional growth.

The project will increase capacity in maternal / child care, complex continuing care, rehabilitation, surgical oncology and palliative care. The number of labour and delivery rooms will double to 15. Bassinets for pre-term and other newborns requiring specialized neonatal care will increase from 22 to 37 units to facilitate care closer to home.

As well, the redevelopment project will create an additional operating room, two new procedure rooms, a new high-density radiation therapy suite and more resources for expanded cancer treatments.

Competitive selection process timeline

The Credit Valley Hospital has entered into a project agreement and a guaranteed maximum price contract with Bondfield Construction Co. Ltd. to complete and finance the redevelopment project. The procurement stages for the project were as follows:

April 4, 2007

Request for Qualifications

In 2007, The Credit Valley Hospital and Infrastructure Ontario issued a request for qualifications for the Phase II Expansion and Redevelopment Project. Five bidders were qualified:

- Bondfield Construction Co. Ltd.
- Carillion Canada Inc.
- EllisDon Corp.
- PCL Constructors
- Vanbots Construction Corp.

July 27, 2007

Request for Proposals

A request for proposals (RFP) was issued to the pre-qualified proponents, setting out the bid process and proposed project agreement to build and finance the project.

Proposal submission

The RFP period closed on December 11, 2007. Three bids were received by Infrastructure Ontario and The Credit Valley Hospital. The bids were evaluated using the criteria set out in the RFP.

March 2008

Preferred proponent notification

Bondfield Construction Co. Ltd. was selected as the successful RFP proponent on the basis of its proposed price and project schedule, in accordance with the evaluation criteria set out in the RFP.

April and May 2008

Commercial and financial close

The project agreement was executed by Bondfield Construction Co. Ltd. and The Credit Valley Hospital. Financing for Bondfield Construction Co. Ltd. to complete the project was provided by financial advisor National Bank Financial with

financing arranged by Société Générale (Canada Branch).

May 2008 – spring 2011

Construction

Construction began in May 2008. During the construction period, the builder's construction costs will be funded by Société Générale (Canada Branch) in monthly instalments based on the construction program set out by Bondfield Construction Co. Ltd. Construction will be carried out in accordance with the project agreement. The project will be overseen by a joint building committee made up of representatives from the hospital and Infrastructure Ontario.

Completion and payment

It is anticipated that the project will reach substantial completion in spring 2011 at which time, The Credit Valley Hospital through funding from the Ministry of Health and Long-Term Care and the Hospital's fundraising efforts, will pay for the project.

Hospital Capital Funding

The provincial government's hospital capital 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 provincial government's portion of the construction costs now equal 90 per cent of eligible construction costs. Under this new policy, hospitals will be responsible for construction costs that are not eligible for funding (excluding radiation therapy equipment) as well as the costs associated with the purchase of new and replacement equipment.

Project agreement

Legal and Commercial Structure

The Credit Valley Hospital entered into a project agreement with Bondfield Construction Co. Ltd. to carry out the construction and financing of the project. Under the terms of the project documents, Bondfield Construction Co. Ltd. will:

- construct The Credit Valley Hospital redevelopment project, which will be completed in spring 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.

The Credit Valley Hospital and the new facilities constructed as a result of the project will remain publicly owned, publicly controlled and publicly accountable.

Construction and completion risk

All construction projects have risks. Some project risks are retained in varying magnitude by the public sector. Examples of risks retained by the public sector under either the AFP or traditional model include planning, unknown site conditions, changes in law, public sector initiated scope change, and force majeure (shared risk).

Under the AFP model, some key risks that would have been retained by the public sector are contractually transferred to the private sector. These risks, such as design co-ordination and resource availability, could have led to cost overruns and delays in traditional projects. Other examples of risks transferred to the private sector under the AFP project agreement include:

Construction price certainty

Bondfield Construction Co. Ltd. will construct the facilities for a guaranteed maximum price of \$162.8 million, including 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

Bondfield Construction Co. Ltd. has signed a contract to reach substantial completion of the facilities construction by spring 2011. The construction schedule can only be modified in very limited circumstances, in accordance with the project documents. The Credit Valley Hospital's payment for the project will not be made until substantial completion (i.e., until the facility has been certified as substantially complete by the hospital's consultant).

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

Design co-ordination

The project agreement provides that Bondfield Construction Co. Ltd. is responsible for all design coordination activities to ensure that the facilities are constructed in accordance with the design.

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

Construction financing

Bondfield Construction Co. Ltd. is required to finance the construction of the project until the facility is turned over to The Credit Valley Hospital. The project agreement provides that the builder will be responsible for all increased financing costs resulting from any builder delay in reaching substantial completion. This shifts significant financial risk to the builder for late delivery.

Schedule contingency

The project documents provide The Credit Valley Hospital with a 30-day schedule contingency, also known as a schedule cushion, which shields The Credit Valley Hospital for up to 30 days of delay costs for which the hospital is responsible. While delays caused by The Credit Valley Hospital are

expected to be minimal, the schedule cushion provides the hospital with some protection from risk of delay claims by the builder.

Commissioning and facility readiness

Bondfield Construction Co. Ltd. must achieve a prescribed level of commissioning of the new facility at substantial completion and must coordinate the commissioning activity within the agreed upon construction schedule. This ensures The Credit Valley Hospital will receive a functional facility at the time payment is made.

Activity protocols

Bondfield Construction Co. Ltd. and The Credit Valley Hospital'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 The Credit Valley Hospital'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.

Change order protocol

In addition to the variation procedure set out in the project documents, Infrastructure Ontario's change order protocol with The Credit Valley Hospital sets out the principles for any changes to the project work/scope during the construction period, including:

- requiring review and approval of change orders from The Credit Valley Hospital;
- specifying the limited criteria under which change orders will be processed and applied;
- timely notification of potential change orders to Infrastructure Ontario;
- timely review by Infrastructure Ontario for owner-initiated scope changes;
- approval by Infrastructure Ontario for any change orders that exceed pre-determined thresholds; and
- approval by Infrastructure Ontario when the cumulative impact of the change orders exceed a pre-determined threshold.

In addition to the above key risks being transferred to the builder under the project documents, the financing arrangement entered into between Bondfield Construction Co. Ltd. and Société Générale (Canada Branch) 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 the hospital; and
- the requirement that prior approval be secured for any changes made to the project budget in excess of a pre-determined threshold.

Achieving value for money

KPMG's value for money assessment demonstrates a projected cost savings of 11.67 per cent, or \$26.1 million, by using the Alternative Financing and Procurement (AFP) approach to deliver The Credit Valley Hospital project, as compared to the traditional procurement approach.

KPMG 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. The 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 KPMG 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.

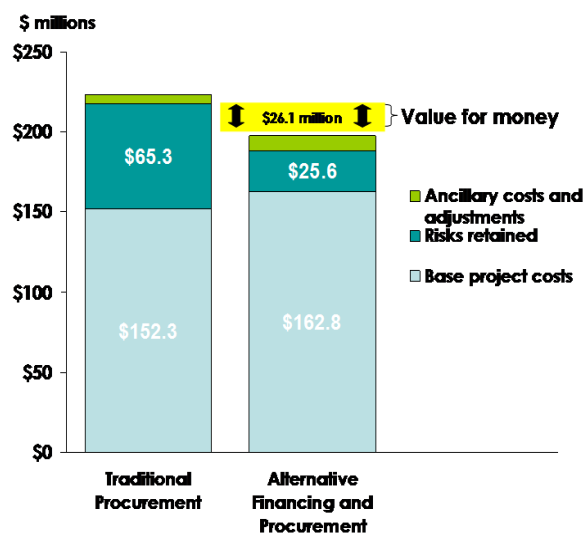
The value for money analysis compares the total estimated costs, expressed in future dollars and measured at the same point in time, of delivering the same infrastructure project under two delivery models – the traditional delivery model (public sector comparator or "PSC") and the AFP model.

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 below:



It is important to keep in mind that Infrastructure Ontario's value for money calculation methodology does not attempt to 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 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 delivered project.

These qualitative benefits, while not expressly 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 costs and AFP costs are future-valued to substantial completion to compare the two methods of delivering a Build Finance 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 the 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 Bondfield Construction Co. Ltd. and include all construction and financing costs. The base costs between AFP and the traditional delivery model mainly differ as follows:

1. Under the AFP model, 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 not included in the traditional model 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 Credit Valley Hospital project, this was \$162.8 million.

If the traditional model had been used for The Credit Valley Hospital project, base costs are estimated to have been \$152.3 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 contingencies for the project risks.

Project risks may be defined as potential 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 are significant. As

discussed on page 12, the following are examples of risks retained by the public sector under the traditional delivery method. Below are risks transferred to the contractor under the project agreement using the AFP model:

- schedule contingencies;
- construction price certainty;
- design co-ordination;
- construction financing;
- scheduling, project completion and potential delays;
- 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 particularly in the plans, drawings and specifications; and for design completion issues that 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. 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 public sector, thus providing the builder 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 a traditional approach, design coordination risks that materialize would be carried out through a series of change orders issued during construction. AFP reduces these risks to the public sector. 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.

Infrastructure Ontario retained an experienced, third-party construction consulting firm, Altus Helyar, to develop a template for assessing the project risks that the public sector assumes under AFP compared to the traditional approach. Using data from actual projects as well as its own knowledge base, the firm established a risk profile under both approaches for facilities such as hospitals and courthouses.

It is this generic risk matrix that has been used for validating the risk allocation for the specific conditions of The Credit Valley Hospital project.

A detailed risk analysis of The Credit Valley Hospital's project concluded that the average value of project risks retained by the public sector under traditional delivery is \$65.3 million. The analysis also concluded that the average value of project risks retained by the public sector under the AFP delivery model decreases to \$25.6 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 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 Infrastructure Ontario costs.
- *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.

The ancillary 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 Credit Valley Hospital project, under the traditional delivery method are estimated to be \$6.1 million as compared to \$9.3 million under the AFP approach.

For a detailed explanation on 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 KPMG concludes that the additional costs associated with the AFP model are more than offset by its benefits which include: a much more rigorous upfront due diligence process, reduced risk to the public sector and more stringent controls imposed by both the lenders and Infrastructure Ontario's standardized AFP procurement process and oversight.

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 Credit Valley Hospital project, the estimated traditional delivery cost (i.e. PSC) is \$223.8 million as compared to \$197.7 million under the AFP delivery approach.

The positive difference of \$26.1 million or 11.67 per cent represents the estimated value for money by using the AFP delivery approach in comparison to the traditional delivery model.