

The business impact of a new P3 accounting standard

Compare the sectors

Public Sector

Organizations will need to attribute and disclose their P3 debt.

In some cases, recognizing more debt may limit the ability to get projects financed and increase their cost of borrowing. The organization may need to reassess the projects it pursues and the forms of financing it uses.

The complexities of P3s sometimes make it difficult to explain the value of P3s to the Canadian public. The new accounting standard lists the rights and responsibilities of both parties. This may help government communicate why P3s are in the public interest.

How has the private sector partner structured deals of similar size? Once the new standard goes into effect, public sector negotiators can see how their potential partner does deals.

Accounting leads to accountability. With one, clear standard guiding the industry, political stakeholders can better evaluate performance of a project—both on its own and compared to other P3 projects.

vs

Private Sector

More debt means more risk, so the public sector may ask to transfer more risk to the private sector.

Even prior to this accounting change, public sector partners have asked the private sector to shoulder more risk. This trend could spike even more—impacting pricing, cost recovery, and other parts of the agreement.

The transparency may increase the appetite of some governments for P3s—and spur further market growth.

With disclosure increasing, the private sector partner can know more about their competitors and how they do business. They'll also see how the public sector partner has structured deals in the past.

This will level the playing field and create a more competitive, mature P3 environment.

Call it the professionalization of P3s. Less subjectivity means a public sector partner can validate the true costs of a project. The analysis will be crisper.



Debt on the books



The politics of risk transfer



An eye on other deals



One standard, united

To learn how BDO's Accounting Advisory and Financial Advisory Services can help you report on, negotiate, and prepare for your infrastructure and P3 projects, reach out to:

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