

Traditional Investment Assessment:

- Investment payback (NPV/ROI) tells only part of the value story
- Short-term gains can be quickly offset by more significant long-term costs
- Understanding the total cost of building ownership is critical

		Facility Renewal Project Groupings		
Investment Analysis:		10 yr SPB	20 yr SPB	FCI Plan
	Project Capital Cost	4,060,000	17,420,000	8,610,000
	Present Value of Savings Stream	5,242,486	17,478,214	8,193,291
	Present Value of O&M Savings	173,932	488,676	403,993
	Net Cost	1,356,418	546,890	(12,716)
	Investment ROI	3.34%	0.16%	-0.01%
	Investment NPV	1,356,418	546,890	(12,716)
	Energy Savings	17.7%	38.2%	14.7%
Lifecycle Cost Factors: (est)				
	Renewal Deferred Difference	13,360,000	-	8,810,000
	Capital Cost Increase (10 yrs)	4,594,723	-	3,029,903
	PV of Deferred Savings (10 yrs)	3,044,709	-	4,049,023
	Deferred Renewal Cost Penalty	7,639,432	-	7,078,926
	Adjusted Net Cost	(6,283,014)	546,890	(7,091,642)
	Investment/Cost ROI	-15.48%	0.16%	-3.30%
	Investment NPV	(6,283,014)	546,890	(7,091,642)
	20 year Annual Budget Impact	(314,151)	27,345	(354,582)

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Energy Preservation: (est.)					
	Preserved kWh	65,262,868	206,416,165	102,040,216	
	Preservation Cost per kWh	\$0.096	\$0.003	\$0.069	\$0.080
		120%	3%	87%	

In spite of short-term gains, if the cost of preserving energy from waste exceeds the current cost of buying energy, then the project investment is not likely a valuable energy conservation measure

Total Investment Impact:

- The best way to give “other” values serious consideration, is to monetize their value
- A level playing field cannot be established without comparing the total impact of investments over the same time period

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Other Values: (est.)				
9	GHG Reduction (\$9.00 tonne)	293,683	928,873	459,181
20%	GDP Gain (20% of Capital)	812,000	3,484,000	1,722,000
		1,105,683	4,412,873	2,181,181
	Comparative Investment/Cost Value	(5,177,331)	4,959,763	(4,910,461)
	Project Capital Cost	\$ 4,060,000	\$ 17,420,000	\$ 8,610,000
	Gain/(Loss) per Invested Facility Renewal Capital Dollar	(\$1.28)	\$0.28	(\$0.57)
		10 yr SPB	20 yr SPB	5 Year FCI
		-6.38%	1.42%	-2.85%
	Net Annual Economic Impact	\$ (258,867)	\$ 247,988	\$ (245,523)

Questions about the Basic Framework for Stewardship of Public Assets:

- What is Canada's commitment to sustainability in the interest of future generations?
- How do current decisions affect what options become available in the future?
- Are the policy investment decisions we make today time neutral, or bias toward the protection of long-term interests?
- Can we avoid the “fool hardy” cost of short-termism? (Beth Knight, Ernst & Young)
- Who is drilling holes in the boat?
- Do current practices support and enable long-term decision-making?

Current Realities:

- Unsustainable levels of public debt
- A focus on near-term budget flows
- No monetization of other investment impacts
- Inadequate investment in infrastructure maintenance and renewal
- Failure to maintain or improve our comprehensive public wealth
- Excessive demand for short-term solutions and inadequate demand for long-term solutions
- Inadequate supply of long-term thinking, policy analysis, a shortage of strategies and solutions
- Failure to conduct cost-of-ownership analysis for all capital investments

Contributing Factors:

- Decision-making and operational factors:
 - Naïve short-termism
 - Urgency-driven short-termism
 - Poor anticipatory stewardship
 - Project complexity
 - Status quo bias (delay and inertia)
 - Prioritized short-termism
- Long-term policy issues are at a constant risk of being neglected in the face of current and near-term concerns
- The challenge is how to ensure that policy makers pursue consistent long-term strategy over time

Possible Interventions:

- Change the motivation of decision-makers
- Enhance the capacity to make long-term decisions
- Revise investment prioritization rating protocols
- Change the formal constraints in which decisions are made
- Insulate decision-makers from short-term political pressure
- Change the political incentives facing decision-makers
- Create consistent, robust investment analysis processes to reveal cost-of-ownership implications and total investment impact

The goal should be to build a more conducive enabling environment for long-term decision-making that:

1. Manages the ***total cost of building ownership***
2. Is not driven by year-end spending deadlines
3. Looks beyond near-term budget benefits
4. Evaluates investment options on a level playing field

“The future whispers while the present shouts” Al Gore, 1992