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Why P3s are best for infrastructure projects: Sears

Private-public partnerships are the best models for major projects because they impose discipline on all players and failures and overruns affect everyone.



The Confederation Bridge, seen under construction in 1996, links PEI with New Brunswick. It is seen as an example of a highly successful public-private partnership, writes Robin V. Sears. (BRIAN MCINNIS / CP)

By **ROBIN V. SEARS**

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From the days of the pyramids to pipelines today, big infrastructure projects have one thing in common: they are hardly ever on time or on budget. It doesn't matter whether they are publicly owned or private, extensive delays and massive cost overruns are the norm.

Why? You might well ask, as have many an enraged investor, politician and voter over the centuries. It is, as they say, complicated.

The array of culprits is long and intertwined:

- Deliberate low bidding — knowing that supplemental payments can be extracted later.
- Inadequate project specifications — leading to expensive later corrections.
- Slapdash engineering and design — because a quick launch is more important for politicians and proponents.
- Project 'creep' — baubles added under political pressure, and on and on.

The thread that connects them all today is a lack of accountability or consequence. Pproject sponsors, designers, builders, and political overseers rarely suffer for their incompetence or collusion.

This is a problem of governance not ownership. The Vaughan subway extension is disastrously overbudget as an entirely publicly owned and bungled TTC project. So was the privately built and owned CPR a century ago, and the SkyDome, a generation ago. Each was marked by a failure to accurately anticipate, execute, and monitor project costs — and by the failure to impose sanctions.

The attraction of P3 projects for governments of every stripe, is not an effort to sellout Canada to corporate financiers. It is the ability to impose some discipline on all the players. This is the strongest appeal of public-private partnerships. Deadlines can be enforced with financial penalties, budget cost overruns can be made to come, at least in part, out of a project consortium's pockets.

In a well-designed P3 structure, the members of a project consortium are locked in a deadly embrace — one's failure hits all your partners. And politicians who attempt to add

marble and gold to their subway station can be dismissed. Sure, fiddles are always possible, but they are harder to find, and harder still to keep secret.

Financial bonanzas are also political myths — at least in Canada. Every bidder's expected financial return must be cited and can be tested by market experts. Bidders seeking excessive profits simply lose.

Our experience demonstrates there is usually enough profit to be gained by keeping politicians and officials hands off project management to satisfy most investors.

Irony of ironies, the Ontario government elected to never, ever permit the travesties of public-private partnerships that were inflicted on the province by its predecessor, has over the decade since built one of the world's finest P3 management agencies.

Infrastructure Ontario offers lessons to less experienced governments from around the world on how to structure a clean bid process, how to ensure compliance, where to look for cheating and how to prevent it, etc.

Public-private project triumphs include the hugely successful Canada Line transit network in Vancouver and the Confederation Bridge connecting PEI to the mainland.

Huge new transit projects in Ottawa, Montreal, and Toronto are underway using P3 variations. None of the governments involved would survive a collapse in service or a steep rise in fares — outcomes critics claim are inevitable — so they won't happen.

If politicians could be effectively prevented from the temptation to meddle with project design and shine, and if corporations could be trusted to guarantee deadlines and budgets ... then pigs would fly. And we would not need the 'lockbox' approach that a strong P3 can deliver.

Given that Canada has world-leading pension fund investors, very savvy at managing such projects, and a Canadian made tool-kit available to governments to set them up and monitor them, why would we not use them?

Our need is urgent.

The World Economic Forum says Canada has slid from 10th place to 23 out of 24, in less than a decade, in infrastructure quality today. We are now way below much poorer countries such as Malaysia and Portugal.

So let's stop the sloganeering and start building more bridges, subways, schools and hospitals.

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