

# DAILY COMMERCIAL NEWS

## AND CONSTRUCTION RECORD

February 2, 2010

Public-Private Partnerships - PPP projects are working as intended - Study supports agency premise

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Public-private partnerships for infrastructure projects are delivering savings in costs and time compared to conventional procurement approaches, according to a recent Conference Board of Canada report.

Early results indicate that most P3 projects are being delivered on or ahead of schedule, providing cost certainty to the public sector, notes Gilles Rhéaume, Vice-President, Public Policy, at the Conference Board.

The multi-partner study, funded by agencies overseeing P3 projects, was launched to gather data on what is a relatively new project delivery method for Canada.

"Intuitively we thought it was working and protecting the public interest, but we wanted a new way to look at these questions," says Steve Dyck, of Infrastructure Ontario.

Economist Mario Iacobacci's report tracks the performance of P3 projects that reached financial close in 2004 or later under the direction of provincial P3 agencies or offices.



Andy Manahan

"We have a (seven year) experience that is growing in Canada, but no independent academic research had been done on this experience to date," adds Larry Blain, CEO of Partnerships BC.

The report notes advantages including life cycle costing, design innovation, construction cost control, performance-based contracts, avoiding deferred maintenance ensuring better building condition at hand-back.

Life-cycling costing and maintenance programs is one area where the P3 model excels, says Andy Manahan, executive director, Residential and Civil Construction Alliance of Ontario "The public sector doesn't always maintain infrastructure properly, but private sector operators have penalties for lack of performance," Manahan points out.

Recessions can cause different levels of government to cut back on infrastructure investment creating a problem of crumbling infrastructure at an "accelerated rate," notes McGill University civil engineering professor Saeed Mirza.

"The first thing that goes during a recession is maintenance, which is reduced or eliminated."

According to BC's Blain, the study corroborates what the P3 agencies always believed — their methodology is sound. The value for money test is the main tool used across Canada to determine whether a particular project is suitable for the P3 approach.

“Private sector finance has more cost than when the public sector borrows the money itself,” explains PPP Canada CEO John McBride.

“But, private sector finance brings discipline and due diligence. When private sector finance is at risk, you are sure they have thought through all the issues. If anything goes wrong it is to their account.”

Despite this fact, the study clearly states that the P3 approach is only appropriate in certain circumstances.

“The P3 method can deliver value, but this is not a silver bullet solution that can be used in every case,” said McBride.

Blain estimates that only 10-20 per cent of all capital project taken on by the B.C. government could be done using the P3 method.

“The benefits of P3s tend to be truer on larger scale and more complex projects, not short-term and small projects,” says McBride. “To attract bids it must be a larger project, because these projects require a lot of up front investment.”