

## Public-private partnerships key for big projects like Spadina subway: report

Higher costs of public-private partnerships mean more planning, fewer construction delays, says report.



Keith Beaty / Toronto Star Order this photo

The new TTC Spadina subway extension is overdue and much over-budget, a fact critics say might have been avoided if the private sector had been more involved.

**By: Tess Kalinowski** Transportation reporter, Published on Tue Mar 31 2015

A new economic report supports Premier Kathleen Wynne and others who suggest Toronto could benefit from more public-private partnerships (P3s) on big construction projects like the [Spadina subway extension](#) and Union Station. Both are running late and over-budget.

P3s make more sense than ever because the difference between overall government and private-sector borrowing rates has narrowed, said a report by TD Economics being released Tuesday.

Called [Ontario P3s — Cost Does Not Equal Value](#), it is a response to a [release last fall by Ontario's auditor general](#). She suggested that the Liberal government's P3 contracts were costing taxpayers \$8 billion more than if the public sector had managed those projects itself. That's

because private companies charge a premium for accepting the risk of a project going over-budget or over schedule.

International studies show that construction times are shorter on P3s, said economist and TD report co-author Leslie Preston. Public-private projects take about the same time from approval to completion, but more of that time is spent in the planning stages.

“Once shovels hit the ground, the construction time is minimized. If you’re a private sector contractor, that’s really when you start to incur your costs and you want to minimize that, the time when you’re digging and building,” she said.

That’s typically when the public is most inconvenienced by road closures and construction, too.

It’s been about five years since the Eglinton Crosstown LRT was approved. But it will probably be July before Metrolinx and Ontario’s P3 agency, Infrastructure Ontario, award the \$4-billion mega-contract for the 25 stations.

That contract includes the design, construction and maintenance of the stations and tracks for 30 years. Another Metrolinx project, the \$859.2-million construction of a [new Whitby train shed](#), also includes a 30-year maintenance agreement.

Fewer than half of Ontario P3s include maintenance contracts. But it’s something that might be worth considering more often, says the TD report.

If a contractor knows it’s going to have to maintain a property, it’s likely they will build it better in the first place.

“The government is often criticized for not maintaining its assets well enough,” said Preston. “Politicians would rather break ground on a new building. They don’t do photo-ops on painting a building. In tough fiscal times, it’s maintenance that gets cut first.”

P3s are not a panacea, warned **Andy Manahan**, of the **Residential & Civil Construction Alliance of Ontario**. His organization supports public-private partnerships. But there are examples where they have gone wrong.

Manahan cited Chicago’s 75-year lease of its parking meters to a private consortium.

But the private sector might have avoided some of the problems that have occurred on Spadina, which is expected now to cost \$150 million more than the project’s \$2.6-billion budget. Tens of millions more in contractor legal claims have yet to be released.

“A private sector consortium would not have had six stand-alone subway stations. They would have been integrated into development. Each one of those stations has an individual (competitive bidding process) to say, ‘Give us your best design.’ So they’re standalone architectural pieces, except for the university campus, when it should be like the Bloor-Danforth line, where it’s integrated and almost invisible,” said Manahan.

Bundling the work in a P3 is critical to encourage competitive bidders and maximize the public benefit, he said. The Eglinton Crosstown, for example, attracted only two qualified construction bidders.

“It was too big a bundle. If they had broken it down into maybe a station component and a line component, they would have received more bids,” said Manahan.

“Another project that might benefit would be the Gardiner Expressway (repairs),” he said, adding that the city should consider imposing a toll to pay for the rebuild.