

Ontario's use of transit P3s requires care: experts

by LINDSEY COLE_May 13, 2015

The provincial government's decision to spend \$31.5 billion over 10 years on "Moving Ontario Forward" is causing a shift towards using public-private partnerships (P3s) for transit projects — something that requires careful consideration, state several industry experts.



Matti Siemiatycki, associate professor in the Department of Geography and Program in Planning at the University of Toronto, said there are many factors to consider when it comes to P3s and transit projects which differ from typical implementation.

"Transit has really risen to the top of the agenda," he stated, adding some public projects have raised concerns, pushing P3s into the spotlight. "We've seen projects that have had major cost overruns and delays. This is really the key frustration that people are seeing in this region. What this has led to, in more recent periods, is this shift towards P3s. The key is getting the right role for the private sector at the right time."

He recently spoke about Transit P3s: Learning Lessons from the Last Two Decades during the Transport Futures P3s in Motion Conference.

"The projects have to be bankable. Transit is a particularly tricky area because transit, as we know in North America, does not make money," he said. "The private sector are no fools. They are not just going to invest in projects that don't make money."

Such is the reason why the type of P3 model, be it Design-Build-Finance or Design-Build-Finance-Maintain-Operate for example, needs to be carefully mapped out for all parties involved.

During a panel discussion on Crown Agencies in the P3 Limelight, which took place after Siemiatycki's presentation, John McKendrick of Infrastructure Ontario also pointed out the importance of getting things right early on.

"The real shift here is taking place towards transit, roads, transportation. I've been warning the construction industry you'd better shift gears," he said. "The more stuff you get on the table during the RFP, the less likely it is to show up during the actual construction period, which is the worst time to have it show up."

"The bundle is only one part of the puzzle here," Siemiatycki added. "In the transit sector, it's really relevant how these projects age. Transit really only succeeds if it's well integrated into its surrounding communities. Transit really thrives when it's linked and integrated with the land use around it. There's a really important connection."

He also pointed out that the transfer of risk is a huge component when it comes to transit P3s, which was something both McKendrick and fellow panelists John Jensen of Metrolinx and Michael Mills of PPP Canada reiterated as well.

"In transit, the big risks are construction risk. Anytime you're going underground in particular, that becomes the big deal. Anything to do with construction in busy urban areas is a huge risk," Siemiatycki explained. He added there is also the responsibility of "making sure the public sector is protected against various risks."

McKendrick cited an example of an Ottawa Light Rail Transit project where a large sinkhole occurred at a tunnelling site.

"It was not our risk. We were glad that we transferred that risk off. We're glad we didn't have to deal with it," he said.

Jensen, who outlined several aspects of the Eglinton Crosstown project, added "the importance of the so-called 'single throat to choke' is significantly understated" in these projects.

"We've noticed that there are some things that bidders can do better, and something that the owner can do better. Basically we're talking about risk transfer."

Siemiatycki also stated transit projects can be complicated because there are various levels of government involved.

"The jurisdictions are fragmented. You need funding from multiple governments, you need to get them on the same page," he said.

"The government needs to be keeping the long-term control of that asset."

Keeping the community involved and making sure the project fits in its surroundings are two key elements to transit P3s, he added.

"Sometimes these projects aren't all that well integrated into their surrounding communities, because that's not the private sector's roles. Plan for land use and change around your stations," Siemiatycki stated.

"Communities are so interested in transit. Transit is very different than building a prison. The issue then is everyone recognizing that the real risk to the P3 industry is around secrecy. Think about how they can put more information into the public realm."

Mills also pointed out there is a lot at stake should these projects not go well.

"These are large complex projects," he said. "If we don't do them right, if we don't deliver them on time, we won't achieve the benefits for Canadians and we'll chew through a lot of resources."