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PUBLIC-PRIVATE PARTNERSHIPS: A TOOL IN THE TOOL BOX

Report of the Standing Committee on Government Operations and Estimates

Pat Martin
Chair

MARCH 2013

41st PARLIAMENT, FIRST SESSION

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THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS AND ESTIMATES

has the honour to present its

TENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(*c*)(iii), the Committee has studied the effectiveness of public-private partnerships in the delivery of government services, and has agreed to report the following:

TABLE OF CONTENTS

PUBLIC-PRIVATE PARTNERSHIPS: A TOOL IN THE TOOL BOX

INTRODUCTION

> [P3s are] a tool in a tool box and you don't say that P3s are the solution to everything. They're not the solution for everything. It's like a tool: if you try to apply a hammer to the wrong kind of situation, you'll get the wrong result. There's nothing wrong with the hammer; you just didn't use it in the right circumstances.
>
> John McBride, Chief Executive Officer, PPP Canada, October 4, 2012

Study Overview

Governments in Canada face a significant need for new and repaired infrastructure. Public-private partnerships (P3s) represent one alternative method to the funding and management of some public infrastructure needs at a time of financial constraints.

The House of Commons Standing Committee on Government Operations and Estimates (hereinafter the Committee) has undertaken a study on the use and the effectiveness of P3s in the delivery of public infrastructure by the federal government. Public infrastructure is critical for the competitiveness of the country. Therefore, the Committee believes it is important to highlight the benefits and the limits of the procurement models available to deliver public infrastructure.

During the course of its study, the Committee heard from various experts and examined the experiences of a number of Canadian jurisdictions with P3s, in order to identify opportunities for improvement in the management of government procurement. The Committee held six meetings and heard testimony from: PPP Canada, the Canadian Council for Public-Private Partnerships, selected provincial officials, the Mayor of the City of Winnipeg, academics, private companies, the Canadian Centre for Policy Alternatives, the C.D. Howe Institute, the Conference Board of Canada, the Canadian Union of Public Employees, the Canadian Construction Association, the Institut pour le partenariat public-privé, the Edmonton Public School Board, the Federation of Canadian Municipalities, and other knowledgeable observers.

Definition of P3s

P3s can be defined as "a long-term performance-based approach for procuring public infrastructure where the private sector assumes a major share of the responsibility in terms of risk and financing for the delivery and the performance of the infrastructure, from design and structural planning, to long-term maintenance."[1] Typically, the design, construction, financing, maintenance and operation component tasks are bundled under a P3 arrangement, as opposed to traditional procurement, where separate private contractors are generally assigned different tasks.

Within the context of exploring innovative ways of financing and managing public infrastructures, the Committee report first examines the status of P3s in Canada in order to get a sense of where the country stands in terms of developing P3s. Then, it explores the key factors that should be considered when evaluating which procurement model is the most appropriate for a specific infrastructure project. Special attention is also given to planning processes as well as the financing aspect of P3 projects since private capital is involved. In addition, the report looks at ways to further improve federal P3 contracting and finally, identifies the main challenges and opportunities associated with P3s.

1 PPP Canada website, *Learn About P3s:What is a P3?*

P3S IN CANADA

In Canada, municipalities, provinces and territories, and the federal government have a growing interest in P3 agreements. Over the past 20 years, P3 agreements have been used by different levels of government for infrastructure such as roads, bridges, public transit, hospitals, and, increasingly, prisons. Mark Romoff, President and Chief Executive Officer, Canadian Council for Public-Private Partnerships (CCPPP), indicated that:

> [o]ver the past 20 years, there has been more than $58 billion invested in more than 180 projects across Canada across a wide variety of sectors, notably in the areas of transportation and health. These projects are taking place right across Canada, although a great proportion of them are in Ontario, and after that British Columbia, Alberta, Quebec, and New Brunswick. Of the 180 projects, more than half are now operational. The remainder are either under construction or in procurement.[2]

The federal government's experience with P3s started in the 1990s with the Confederation Bridge between Prince Edward Island and New Brunswick. In the last few years, two federal entities have adopted the P3 approach for office accommodation: the Royal Canadian Mounted Police and the Communications Security Establishment Canada. Vijay Gill, Associate Director, Conference Board of Canada, told the Committee that "in terms of total government expenditures on capital … P3 transactions as a percentage of government spending on infrastructure or gross fixed capital formation, … [are] at roughly 12% to 14% a year."[3]

In 2008, the government established PPP Canada to provide a federal centre of expertise for P3s. PPP Canada's business priorities are threefold: it acts as a source of expertise and advice on P3 matters through knowledge development and sharing; it has a mandate to carry out evaluations and provide advice regarding the execution of P3 projects undertaken by the federal government; and it works with provinces, territories, municipalities and First Nations to build public sector expertise.[4] PPP Canada also manages the P3 Canada Fund, a merit-based program created to improve the delivery of public infrastructure and provide better value, timeliness and accountability by increasing the effective use of P3s. To be eligible, an infrastructure project must be procured, and supported by a province, territory, municipality or a First Nation.[5]

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2 Mark Romoff, Canadian Council for Public-Private Partnerships, *Evidence*, Meeting No. 56, 0910.

3 Vijay Gill, Conference Board of Canada, *Evidence*, Meeting No. 56, 0850.

4 John McBride, PPP Canada, *Evidence*, Meeting No. 55, 0855.

5 For more information, see the PPP Canada website, *P3 Canada Fund*, http://www.p3canada.ca/p3-canada-fund-overview.php.

The federal government aims to explore the use of P3s to the greatest extent possible to ensure value for money. As highlighted in Budget 2011, all federal departments and agencies are required to screen large infrastructure projects to determine whether they are potential candidates for a P3 delivery model. Budget 2011 states that "[a]ll infrastructure projects creating an asset with a lifespan of at least 20 years, and having capital costs of $100 million or more, will be subjected to a P3 screen to determine whether a P3 may be a suitable procurement option. Should the assessment conclude that there is P3 potential, the procuring department will be required to develop a P3 proposal among possible procurement options."[6]

In May 2012, *PPP Bulletin,* a website providing in-depth updates on international P3 legislation, regulation, working procedure and market potential, named Canada as the world's top market for P3 investment over the next 12 months. It stated that "[i]n a poll of 70 leading PPP [P3] companies around the world, Canada came out top of those countries expecting to see the greatest activity in the sector during 2012-13."[7] The report further states that: "[p]rovincial governments, led by PPP procurement agencies, have become experienced in driving their PPP programmes forward."[8]

The Canadian Model

According to experts, there are several features that differentiate the Canadian model in the delivery of P3s. Many provinces have established P3 agencies mandated to structure and implement partnership solutions. Underlining the uniqueness of Canada's provincial procurement agencies, Mark Romoff, President and Chief Executive Officer, CCPPP, mentioned that:

> [t]here are no other countries that have subnational procurement agencies engaged in this space. That brings an approach and professionalism that is quite unique. More importantly, these agencies have really streamlined the process for P3 procurements to the extent that you get a far better disciplined and tight timeframe, and that's resulted in significantly reducing the time from a project going out to RFQ [Request for Quotation] or RFP [Request for Proposal] to financial close, such that in some cases — in fact in the Canadian case it's virtually half the timeline of the U.K., which is in great part why the U.K. is now looking at our approach to this sector.[9]

Developing the capacity and acquiring the knowledge required to create a framework that enables and facilitates the establishment of P3s is a challenge shared by several countries. The Canadian model may be of considerable interest for other countries and notably the approach developed by Infrastructure Ontario and Partnerships BC. To

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6 Department of Finance Canada, Budget 2011, *The Next Phase of Canada's Economic Plan: A Low-Tax Plan for Jobs and Growth*, p. 102.

7 *PPP Bulletin,* May 2012.

8 PPP Bulletin and Deloitte, Partnerships Bulletin: The Global PPP Market 2012, May 2012.

9 Mark Romoff, *Evidence*, Meeting No. 56, 0950.

this regard, Mark Romoff, President and Chief Executive Officer, CCPPP, informed the Committee that "there is a considerable degree of interest, including from the U.S, and from states in the U.S., in what the approach is of Infrastructure Ontario or of Partnerships BC, with a view to taking that approach, adapting it to their particular environment, and moving ahead with P3s."[10]

The Committee also heard about other important features of the Canadian model such as the openness shown towards international engagement in infrastructure development as well as the importance given to the competitive process. Committee members were told that these features promote more competition among players who participate in P3 bidding processes, which generates innovative solutions that have a significant impact on the costs. Indeed, competition tends to lower costs.[11]

In the course of its study, the Committee heard that while P3s could be a proper procurement model under certain circumstances, they are not always the most suitable approach for every infrastructure project. On that subject, John McBride, Chief Executive Officer, PPP Canada, told Committee members that "[t]hey're [P3s] not always the right solution, but when applied to the right projects, they can provide many benefits … "[12] In addition, the Committee was told that although P3 projects might offer value in certain cases, thorough analyses of the risks associated with such procurement models including the size of the risk premiums as well as the risk of cost overruns and poor performance should be carried out.[13] In order to evaluate if P3 procurement models are interesting options for infrastructure projects, a thorough and sound analysis is desirable. This subject will be explored in the following section.

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10 Ibid., 0955.

11 Ibid., 0950.

12 John McBride, *Evidence*, Meeting No. 55, 0850.

13 Matti Siemiatycki, University of Toronto, *Evidence*, Meeting No. 58, 0910.

THE VALUE-FOR-MONEY PROPOSITION

Value-for-Money Analysis

Many factors must be considered in deciding what procurement model is best suited for an infrastructure project. First, an evaluation must be made to identify which one will provide better value for money. In the context of a P3 arrangement, a Value-for-Money (VFM) analysis is a financial tool that takes the best available cost estimates and capital market information to calculate an estimate of the risk-adjusted, net present value of competing delivery options on a like-for-like basis. A VFM analysis for P3 projects includes a public sector comparator, which represents the traditional procurement approach. Overall, the details and assumptions underlying a VFM analysis are very important.

As part of its study, the Committee heard differing views on the use of the VFM analysis to support P3 arrangements. The key message is that the VFM methodology must be well developed and readily accessible to decision makers. Also, several witnesses recommended that information underlying the VFM calculations should be verifiable by independent parties and based on empirical evidence.

The strengths of the VFM analysis are that it provides a way to assess what procurement model is best suited for a given project. Value for money is a key factor in deciding whether you select a P3 or traditional procurement model. A comprehensive VFM analysis should be based on sound methodology and include the best available information on all cost options. As stated by Roger Légaré, Managing Director, Institut pour le partenariat public-privé (IPPP), “the P3 option should be selected only if it represents genuine added value that can simultaneously enhance the accessibility, quality and continuity of service to citizens, make public services more efficient and ensure maximum transparency and integrity in the process used.”[14]

There was an agreement amongst several witnesses that P3s can in fact provide better value for money, and as stated by Matti Siemiatycki, Assistant Professor, University of Toronto, “[w]e can say that public-private partnerships are not necessarily the cheapest way to deliver infrastructure, but they might deliver the best value, and that's really where we have to understand from a policy perspective the projects for which this actually makes sense.”[15] To illustrate what value for money entails in a P3 arrangement, Michael Marasco, member of the Board of Administration, CCPPP, stated that, “value for money is a function of efficient risk allocation and competition. If you get those two things right, you're going to optimize your value for money.”[16]

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14 Roger Légaré, Institut pour le partenariat public-privé, *Evidence*, Meeting No. 61, 0850.

15 Matti Siemiatycki, *Evidence*, Meeting No. 58, 0910

16 Michael Marasco, Canadian Council for Public-Private Partnerships, *Evidence*, Meeting No. 56, 1010.

Along those lines, several witnesses discussed examples of P3 projects in the context of the VFM reports. With respect to PPP Canada's investment in P3 Canada Fund projects, John McBride, Chief Executive Officer, PPP Canada, stated that, "On average, our prior investments, our estimates ... are about 8% better value for the projects we invest in."[17] According to Michael Marasco, member of the Board of Administration, CCPPP, based on the value-for-money reports of P3 projects across Canada, "[w]hen you look at it on a percentage basis, you can see that the average savings are just under 20%."[18]

The limitations of the VFM analysis are linked to the integrity of the assumptions which support the VFM calculations. Some witnesses raised concerns over the VFM assumptions given that there is limited detailed information available for scrutiny and there is considerable uncertainty surrounding whether the assumptions themselves are supported by empirical evidence.

To address this concern, Matti Siemiatycki, Assistant Professor, University of Toronto, recommended that, "[w]e should be carrying out studies to understand if the risk premium ... is appropriate, is based on past evidence, the history of actual cost overruns, on the cost of poor performance as these projects go along." He also commented that "in the value-for-money reports, where those efficiency gains are actually being achieved hasn't been clarified; we don't see which efficiencies are being brought forward that are considerably different from what happens through the public sector or through the conventional bidding process."[19] Finally, Hugh Mackenzie, Research Associate, Canadian Centre for Policy Alternatives (CCPA), noted that the VFM analysis also does not necessarily consider other factors such as "improvements in life-cycle maintenance cost [and the] expected better performance at the end of the contract."[20]

While proponents of P3s often cite the cost savings as supported by a VFM analysis, critics argue that the assumptions underlying those figures are not well supported. The Committee recognizes that the VFM methodology for federal P3 projects should be readily accessible, and that accurate and comprehensive information should always be made available on the detailed VFM calculations, as it is a critical step in selecting a procurement model.

Risk Premiums

The P3 model generally involves a significant risk transfer from the public sector to the private sector. This being said, a critical component of any VFM analysis is the identification and the valuation of that risk through the calculation of risk premiums.

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17 John McBride, *Evidence*, Meeting No. 55, 1010.

18 Michael Marasco, *Evidence*, Meeting No. 56, 0925.

19 Matti Siemiatycki, *Evidence*, Meeting No. 58, 0925.

20 Hugh MacKenzie, Canadian Centre for Policy Alternatives, *Evidence*, Meeting No. 56, 1020.

The calculation of risk premiums for P3s is complex and subject to much debate. First, there is the question of what risks the project entails.[21] Second is the consideration of which party is best suited to manage those risks. Finally, the calculation of risk premiums is based on economic models and simulations that consider a range of possible outcomes for those risks identified. Finn Poschmann, Vice-President, Research, C.D. Howe Institute, summarized this concept, stating that, "[i]n economic terms, risk is a product of the likelihood of an outcome, and the harm or benefit associated without the outcome, if that occurs. This is what the private proponent will assess in pricing contracts or pricing their own cost at which they're willing to undertake the contract." [22]

The Committee heard from witnesses on the process supporting risk premium calculations. At the federal level, John McBride, Chief Executive Officer, PPP Canada stated that, "[w]e do workshops with experts about the probability and the likelihood — we do it on a whole-risk register, a whole set of risks. So there's quite a systematic evaluation of the risks, probability, and results. We do things called Monte Carlo simulations to figure out the evaluation of those kinds of risks, what those risks are worth, and what they will likely cost the government. Then the question is whether the private sector is better able to manage those risks."[23]

On the provincial side, officials from Ontario and industry representatives from Quebec stated that public sector and private sector experts in P3s and cost consulting have developed comprehensive risk matrices that put a value on the types of risks that are transferred in the context of a P3. Johanne Mullen, President, IPPP, stated that:

> [w]e hold risk workshops. We're talking about bringing together around a table sometimes 10 or 15 or more people who are experts ... We develop a detailed risk matrix that looks at the risks throughout every phase of the project, from pre-development, design, and construction to maintenance and operations. We go through those risks to identify them, quantify them, and assign probabilities for each of the implementation methods. We do that for each of the procurement approaches that could be used for the project — conventional or construction management, or DBF ["Design-Build-Finance"], DB ["Design-Build"], or DBFM ["Design-Build-Finance-Maintain"] — depending on the number that have been shortlisted... once we've done that work, it's all run through a Monte Carlo...that produce a distribution of the probabilities.[24]

Some witnesses in support of P3s noted that risk premiums are being competitively priced, supporting the view that P3s can provide the best value for money. On this point, Michael Marasco, member of the Board of Administration, CCPPP, provided the private

21 There are a number of different types of risks: policy and strategic risks, design and tender risks, procurement risks, site conditions and environmental risks, construction risks, equipment risks, permitting and approvals risks, completion and commissioning risks, lifecycle and residual risk, operations and maintenance risks, contractual risks, and financial risk.

22 Finn Poschmann, C.D. Howe Institute, *Evidence*, Meeting No. 56, 1010.

23 John McBride, *Evidence*, Meeting No. 55, 1010.

24 Johanne Mullen, Institut pour le partenariat public-privé, *Evidence*, Meeting No. 61, 0945.

sector perspective by saying that “as a result of the intense competition in the Canadian market now, the risk premiums we would typically charge for these contracts have dwindled.”[25] However, some witnesses pointed out that due to the fact that the risk varies from one project to another, so do the risk premiums.[26]

Some witnesses agreed that the premium associated with the risk transfer often makes the case for P3 procurement. However, as stated by Finn Poschmann, Vice-President, Research, C.D. Howe Institute, “[t]he idea underpinning a P3 is that the private partner undertakes some of these risks, in return for an appropriate financial reward.”[27] It is therefore important for decision makers to understand the risks that are being transferred as well as the computation of the premium associated with those risks. Hugh Mackenzie, Research Associate, CCPA, mentioned that risk premiums are the factor that swings the decision to a P3 model, stating that, “the way Infrastructure Ontario explains value for money, the overwhelming majority of the benefits associated with P3 projects in the Infrastructure Ontario model have to do with very large values that are assigned to risk transfer.”[28] Bert Clark, President and Chief Executive Officer, Infrastructure Ontario, agreed that, “the heart of the rationale for public-private partnerships is the risk transfer.”[29]

According to Matti Siemiatycki, Assistant Professor, University of Toronto, “Our study [of 28 P3 projects in Ontario] found that the risk premium added to the conventional project was on average 49%. That's a very high risk premium, and we couldn't find the technical evidence — the details of past studies were not in the public domain — to allow us as researchers to understand whether that was really based on past experience. We were concerned because this issue of risk transfer, invariably, is tipping the scale from the conventional model to the public-private partnership.”[30] Therefore, as with VFM analysis, the Committee suggests that the calculation of the risk premiums themselves should be supported by verifiable figures which are based on empirical evidence.

Implications of Risk Transfer

In a P3 model, the private sector is directly involved and usually contributes financially to the project being realized. This financial investment acts as an incentive for the private sector to ensure proper use of the resources involved and to obtain positive outcomes. As such, any debate about the advantages and disadvantages of P3s centres on the issues of how risk transfer is understood, how it's evaluated, and how it's managed.

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25 Michael Marasco, *Evidence*, Meeting No. 56, 1010.

26 Ian Lee, Carleton University, *Evidence*, Meeting No. 61, 1025 and Johanne Mullen, *Evidence*, Meeting No. 61, 0945.

27 Finn Poschmann, *Evidence*, Meeting No. 56, 0855.

28 Hugh Mackenzie, *Evidence*, Meeting No. 56, 1020.

29 Bert Clark, Infrastructure Ontario, *Evidence*, Meeting No. 58, 1040.

30 Matti Siemiatycki, *Evidence*, Meeting No. 58, 0910.

The key message on risk transfer is the importance of allocating risk to the appropriate party, and ensuring that contracts are well drafted to ensure proper assignment. As stated by John McBride, Chief Executive Officer, PPP Canada, "[i]n the PPP world, the key is knowing who can do the better job managing the risk. In some situations, the private sector is better positioned than the government to manage risk."[31]

P3 agreements and contracts should clearly outline the transfer of risks. However, many witnesses agreed that this can present a challenge. Finn Poschmann, Vice-President, Research, C.D. Howe Institute, said: "It takes a good P3 contract to specify the division of risks and rewards. Contracts are necessarily imperfect and incomplete because they are human constructs. Contracts are entered into under conditions of risk and uncertainty, imperfect and asymmetric information, and potential moral hazard."[32]

The Committee heard that, under the P3 model, both the private and the public sectors face risks. Under some P3 agreements, the risk is fully assumed by the private sector until the project is completed. The private sector invests capital in the project and the federal government does not issue any payments until the project is completed and certified by an independent engineer. Under such contracts, if something prevents the private sector from completing the project, the federal government takes possession of an asset without spending any money.[33] Taxpayers benefit from these types of contracts because the entire risk associated with a given infrastructure project is taken by the private sector and in the case of failure, the government acquires an asset without any cost to the taxpayers. Under other P3 agreements, the Committee was told that taxpayers sometimes obtain an asset for a portion of its value.[34]

Some risks however are difficult to transfer to the private sector and tend to remain with the public sector. According to John McBride, Chief Executive Officer, PPP Canada, "[o]ften permitting risk is a difficult risk to transfer because it's with the public sector. There can be also risk of external change."[35] According to Finn Poschmann, Vice-President, Research, C.D. Howe Institute, "There's another risk too that government cannot easily lay off: the long-term financial risk the private partner takes on exposes it to the risk of bankruptcy. The project may fail and project proponents will lose their investment. Much of the cost of that failure will inevitably redound to government."[36]

Finally, the transfer of risk may also be limited by the corporate structure of the private sector partner. According to Toby Sanger, Senior Economist, Canadian Union of

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31 John McBride, *Evidence*, Meeting No. 55, 0920.

32 Finn Poschmann, *Evidence*, Meeting No. 56, 0855.

33 John McBride, *Evidence*, Meeting No. 55, 0905.

34 Michael Marasco, *Evidence*, Meeting No. 56, 1025.

35 John McBride, *Evidence*, Meeting No. 55, 1010.

36 Finn Poschmann, *Evidence*, Meeting No. 56, 0900.

Public Employees (CUPE), the transfer of risk to the private sector is limited by the use of special purpose vehicles (SPVs) by private companies: "Typically with P3 projects, a private operator only puts up about 10% or 15% equity, and they set them up as what are called 'special purpose vehicles'. That means that even though there are big companies behind them, they can walk away at any point and only lose that 10% to 15% equity."[37] Further, he reiterated that, "[p]retty much all P3s in Canada are set up as special purpose vehicles, as I said, which means that the private sector can either go bankrupt or walk away."[38]

37 Toby Sanger, Canadian Union of Public Employees, *Evidence*, Meeting No. 57, 0855.

38 Ibid., 0945.

Upfront Planning

P3s are seen to impose a certain rigour around the planning process. Even if a P3 approach is not ultimately the preferred option at the end of the planning process, the upfront planning for P3s requires a more systematic consideration of costs, risks, and performance expectations. Several witnesses agreed that this is one of the key strengths of the P3 model. As Johanne Mullen, President, IPPP, mentioned, "P3 is a very effective means to focus attention on defining the requirement... We need to think about how we are going to use the asset, what type of asset we need, who will be using the asset, and we need to think about these things over a thirty-year period."[39] She continued by stating that, "one of the most powerful mitigators in controlling risks of cost overruns and delays is the discipline it imposes on planning... P3 it turns out is a very effective way of doing it."[40]

Transaction and Upfront Costs

Although the upfront planning is important, planning and bid preparation costs are one of the components that stand out as higher for P3 projects. Damian Joy, President and Chief Executive Officer for North America, Bilfinger Berger Project Investments Inc., highlighted this fact as a significant concern, stating that, "problems with P3s, I would argue, are very high transactions costs. The legal cost, the organizational cost, the massive amount of documentation involved add up to quite significant costs. Frequently there's a lack of competitive bidding because of the size of these things."[41]

Several witnesses discussed the magnitude of P3 transaction costs. Matti Siemiatycki, Assistant Professor, University of Toronto, stated that based on his P3 study of 28 projects across Ontario, "2% to 3%, on average, was the cost we found in transaction costs."[42] Similarly, according to Hugh Mackenzie, Research Associate, CCPA, "the general rule of thumb is that somewhere between 3% and 4% of the total project cost per party is about what you pay to put the paper and the agreements and due diligence all together."[43]

Transaction costs also have a significant impact on the threshold for projects that are suited to the P3 model. Michael Atkinson, President, Canadian Construction Association (CCA), stated that "P3s invoke a complex, multi-party legal web of contracts

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39 Johanne Mullen, *Evidence*, Meeting No. 61, 0855.

40 Ibid.

41 Damian Joy, Bilfinger Berger Project Investments Inc., *Evidence*, Meeting No. 59, 0855.

42 Matti Siemiatycki, *Evidence*, Meeting No. 58, 0910.

43 Hugh Mackenzie, *Evidence*, Meeting No. 56, 0900.

that is an expensive proposition for would-be participants. Transactional costs are extremely high, making the P3 option really only viable on the larger projects, typically in the $50 million range and above."[44] Michael Marasco, member of the Board of Administration, CCPPP, agreed: "There's a critical size needed to make these projects viable so that the transaction costs don't overtake the value-for-money proposition."[45]

Whole Life-Cycle

Beyond upfront planning, P3s also promote long-term planning considerations. The idea behind P3s accounting for whole life-cycle costs is that the outcomes are guaranteed by the private partner because it is a performance-based contract. According to John McBride, Chief Executive Officer, PPP Canada, "[t]he competitive process not only brings discipline, but the whole life-cycle optimization — the person who's thinking through the design is also building and maintaining — forces the best possible value."[46]

Many witnesses agreed with the perspective that whole life-cycle cost optimization is an advantage of the P3 model. The consideration of whole life-cycle costs can affect many decisions on the project as a whole, and ultimately can lead to better value in design, construction, operation, and through the competitive process of putting it all together. Michael Marasco, member of the Board of Administration, CCPPP, stated that, "[t]he whole focus and drive behind a DBFM ["Design-Build-Finance-Maintain" P3 model] are to optimize ... the total whole-of-life cost of that asset."[47]

It is widely acknowledged that governments are challenged by the current infrastructure deficits at all levels of government in Canada. Moreover, under traditional procurement, the consideration of future maintenance costs is not always fully examined prior to commencing an infrastructure project. Expanding on the challenges of budgeting for infrastructure maintenance costs in the public sector, Hugh Mackenzie, Research Associate, CCPA, stated that, "making your maintenance expenditures subject to the budgetary cycle ... you end up with maintenance backlogs that gradually evolve into infrastructure availability crises."[48] As deferred maintenance is escalating, Toby Sanger, Senior Economist, CUPE, agreed that "it is important to look at the life-cycle costs, make sure there is money in hand for maintenance and repairs, and make sure that these aren't starved simply to provide money for new capital projects."[49]

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44 Michael Atkinson, Canadian Construction Association, *Evidence*, Meeting No. 57, 0900.

45 Michael Marasco, *Evidence*, Meeting No. 56, 0945.

46 John McBride, *Evidence*, Meeting No. 55, 0945.

47 Michael Marasco, *Evidence*, Meeting No. 56, 0925.

48 Hugh Mackenzie, *Evidence,* Meeting No. 56, 0935.

49 Toby Sanger, *Evidence*, Meeting No. 57, 1015.

Long-term operating and maintenance costs associated with planned infrastructure are one component of whole life-cycle costs that may be better considered in a P3 model, versus a traditional procurement model. Under many P3 arrangements, operating and maintenance is often the responsibility of the private sector. The impact of this is twofold — first, the public sector's funding commitment for operating and maintenance costs over the life of the P3 contract is known at the outset, and second, the state of the infrastructure asset that will be handed back to the public sector at the end of the agreement is also defined at the outset. In this context, Michael Atkinson, President, CCA, noted that:

> Given the fact that the consortium also is going to be responsible for that asset over a 30-year life ... You're going to ensure that for the 30 years or 35 years that you have this, you haven't set yourself up for a drain on your purse either. You're going to want to make sure that the school is properly designed and properly built, so that the maintenance and operation of that facility isn't a burden.[50]

On lessons learned at the municipal level from P3s, Brock Carlton, Chief Executive Officer, Federation of Canadian Municipalities (FCM), noted that, "[t]he first is stable, secure investments. Making stable, predictable investments is the most important thing governments can do to improve our infrastructure. These investments extend the life of our infrastructure by supporting regular repair and maintenance, which is the single most important factor in keeping infrastructure costs down."[51] The City of Winnipeg Mayor, Sam Katz, agreed that "P3 projects provide the City of Winnipeg with long-term budget certainty, as all costs are determined up front".[52]

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50 Michael Atkinson, *Evidence,* Meeting No. 57, 1025.

51 Brock Carlton, Federation of Canadian Municipalities, *Evidence*, Meeting No. 57, 0915.

52 Sam Katz, City of Winnipeg, *Evidence*, Meeting No. 58, 0955.

Financing Costs

The fact that P3 procurement brings private capital to the table is often identified as one of the main reasons for governments to go with that option. In terms of financing, the cost of capital or the cost of borrowing is a component of the overall project costs, and represents a higher cost under P3 arrangements. According to John McBride, Chief Executive Officer, PPP Canada, "[t]he cost of private sector financing is higher, but the involvement of private sector finance is critical to achieving the benefits as it ensures risks are transferred and the disciplines and incentives to achieve better results exist."[53]

P3 projects ensure private sector capital is at risk, bringing capital market discipline and incentives. This requires the private sector to raise both equity and debt capital, meaning that there is substantial oversight by lenders and investors in both the upfront due diligence and project execution. John McBride, Chief Executive Officer, PPP Canada, stated that, "Canada has deep and cost-effective capital markets. Canada is not reliant on long-term bank financing for projects, which has become less available and costly since the financial crisis. Rather, Canada has been able to employ bond market solutions, which has allowed projects to close at competitive rates of financing."[54]

The discount rate used as part of the financial model to calculate financing costs will have a significant influence on the relative net present value of each model because it affects all cash flows. A higher rate will typically favour the P3 shadow bid over the public sector comparator and, conversely, a lower rate will favour the public sector comparator over the shadow bid. The federal government does not currently prescribe a particular discount rate for federal projects; however, using a rate linked to the long-term federal government borrowing rate is a common practice.[55] According to John McBride, Chief Executive Officer, PPP Canada, for the P3 Canada Fund projects, "[s]preads on the debt component, which are usually about 90% of the financing, are around 200 basis points over what governments could borrow. There is a cost to the long-term financing."[56]

Another financing consideration raised relates to the ability of Canada and Canadian-based firms to participate in P3 projects. Michael Atkinson, President, CCA, highlighted the concern that:

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53 John McBride, *Evidence*, Meeting No. 55, 0850.

54 Ibid., 0850.

55 Treasury Board of Canada Secretariat, *Guideline to Implementing Budget 2011 Direction on Public-Private Partnerships*.

56 John McBride, *Evidence*, Meeting No. 55, 0940.

> [w]here the lead concession or financier is foreign, which has been the case in a number of our P3 projects, Canadian contracting firms are often at a disadvantage when it comes to performance security. The reason for this is surety bonding. ... The use of surety bonds is something that's unique to North America and unknown to Europe, for example. Many of our construction firms do not have the healthy balance sheets required to get letters of credit. They've used the surety bond vehicle to leverage their balance sheets by as much as a factor of times 15, times 20, but this is foreign for European concession-holders and financiers, and it's created a problem for participation by some — not all — of our Canadian and Canadian-based firms, in that foreign concessions will not accept surety bonds as performance security.[57]

Accounting Considerations

While critics of P3s raised concerns regarding off-balance sheet financing, proponents argued that this is not the case in Canada. According to John McBride, Chief Executive Officer, PPP Canada, "Canada does P3s for the right reasons. ... It isn't about off balance-sheet financing, but rather an in-depth value-for-money analysis to determine if P3 is the best procurement option."[58] He further stated, "Canada has been very clear about its public accounting standards: P3 projects are on budget."[59]

Matti Siemiatycki, Assistant Professor, University of Toronto, explained, "[t]his idea of public-private partnerships bringing new money was in large part seen as a way also of holding public investment off the government books. It was a bit of an accounting mirage that was used in the United Kingdom. These projects, I think especially in Canada, are being counted on the books, and that's the correct way to do it."[60]

Most witnesses agreed that P3s in Canada are appropriately recorded on the government's statement of financial position. According to Mark Romoff, President and Chief Executive Officer, CCPPP, "[w]hen you move ahead with a public-private partnership, the debt obligation is on your books right from the outset. There is no off-book accounting here for P3s in Canada."[61] Similarly, Sarah Clark, President and Chief Executive Officer, Partnerships BC stated that, "[t]he capital cost of the project is accounted for in the same manner as a traditional project."[62]

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57 Michael Atkinson, *Evidence,* Meeting No. 57, 0905.

58 John McBride, *Evidence*, Meeting No. 55, 0850.

59 Ibid., 0910.

60 Matti Siemiatycki, *Evidence*, Meeting No. 58, 0940.

61 Mark Romoff, *Evidence*, Meeting No. 56, 0940.

62 Sarah Clark, Partnerships BC, *Evidence*, Meeting No. 59, 0950.

BUILDING CAPACITY AND EXPERTISE FOR BETTER CONTRACTING

While P3s in Canada do not result in off-balance sheet financing, it is important to remain cognizant that P3 arrangements involve complex agreements and accounting decisions.

Capacity Building

The public sector needs to address the issue of having varied expertise and capacity across agencies and departments at all levels of government to manage infrastructure projects. PPP Canada should continue to promote skills development and share expertise relating to managing infrastructure projects and writing contracts in order to help departments and agencies better manage both P3s and traditional procurement projects.

Some of the strengths in the implementation of P3s have much to do with bringing an increased focus on infrastructure management. As Toby Sanger, Senior Economist, CUPE, stated: "Infrastructure Ontario does a fabulous job of project management. It does a much better job of managing a project for a hospital in Timmins or North Bay than the North Bay hospital board is going to be able to do or the Timmins hospital board is going to be able to do because Infrastructure Ontario is involved in literally dozens of projects."[63] According to him, it would be possible to get those advantages and negotiate better agreements with the private sector under other procurement models.

Brock Carlton, Chief Executive Officer, FCM, also emphasized this need for capacity building across all levels of government. He told the Committee:

> We need investment in knowledge, support, and training. When to use P3 models should be up to the individual municipalities, but municipalities need the information and expertise to make an informed choice and the support to manage new and complicated partnership agreements. Costly business cases, lengthy program application processes and upfront legal fees can discourage municipalities from pursuing the option. Current P3 programs do not provide the support municipalities require to do this. Without this, increasing the use of P3s in Canada will continue to be a challenge. Support for building this capacity should be integrated into a new infrastructure plan.[64]

Along those lines, Adam Thompson, Policy Advisor, FCM, added that:

> Municipalities are construction management experts. Our members build, operate, and maintain a wide variety of infrastructure across the country. P3s really require a different

63 Toby Sanger, *Evidence*, Meeting No. 56, 0905.

64 Brock Carlton, *Evidence*, Meeting No. 57, 0915.

> skill set. They require contract management. This is, at times, a very expensive skill set to acquire for a municipality. In providing ... stable, secure investments in our communities, it's also important for there to be a recognition that we have a long way to go to arming municipalities with the information they need to be able to determine if a P3 is right for them. ... Those are the types of lessons we're very much looking forward to in the long-term infrastructure plan, and having a discussion about those.[65]

Contracting

The federal government needs to ensure that it has the expertise to write comprehensive P3 contracts, as these can be very complex and extensive. If not done properly, these contracts can leave the door open to ambiguity and potential distortion. Finn Poschmann, Vice-President, Research, C.D. Howe Institute, when recollecting what he called a “bad contract” that he encountered, stated that: “[O]ne of the things that you can ensure, or look to ensure, is clarity in terms of the contract, and sunshine. Sunshine is a good disinfectant.”[66] When asked if the more detailed the contract, the better the likelihood for a successful project, Mr. Poschmann added that it “would generally be the case. You can't specify everything, but you're always going to do the best you can. Each gap that's left in the contract will be an opportunity for error, oversight, or potentially asymmetric information, as between a proponent and the government.”[67]

P3 contracts can be more rigid than other models over the long term when delivering these projects due to the trade-offs involved. As Matti Siemiatycki, Assistant Professor, University of Toronto, indicated, “[w]hen you have contracts and concessions that stretch out for 25, 50, 99 years ... these can limit government's flexibility and its capacity to make changes to the system over time, to meet emerging policy goals, to change the user-fee structures ... and to meet emerging and changing goals. This loss of flexibility is a key challenge.” [68]

In the Alberta Schools Alternative Procurement project, the initial project did not allow for any leasing of space to third parties, bringing a challenge to the community, which often lease spaces at schools for its activities. Sarah Hoffman, Board Chair, Edmonton Public Schools, indicated that “the second round of schools provided some flexibility in this area. ... This will continue to be an area of focus for the term of the agreement.”[69]

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65 Adam Thompson, Federation of Canadian Municipalities, *Evidence*, Meeting No. 57, 0935.

66 Finn Poschmann, *Evidence*, Meeting No. 56, 0955.

67 Ibid., 1010.

68 Matti Siemiatycki, *Evidence*, Meeting No. 58, 0910.

69 Sarah Hoffman, Edmonton Public Schools, *Evidence*, Meeting No. 57, 0915.

TRANSPARENCY AND MONITORING CHALLENGES

Transparency

As discussed earlier, when governments assess the value for money of the different procurement approaches and recommend an optimal model, the premium associated with the risk transfer often makes the case for P3 procurement. However, some critics of P3 suggested that more transparency is required.[70]

Governments are often required to treat the technical documents that assess the viability of P3 projects confidentially because of the possible commercially sensitive nature of these documents. Hugh Mackenzie, Research Associate, CCPA, indicated that "[o]ne of the real challenges for people who are outside the circle ... in doing critical analysis of these things is the paucity of information that's available to evaluate these contracts."[71] In doing analysis of P3 contracts, He indicates that "[i]t was impossible to tell what the terms of the contract were. Hundreds of pages were made available on [the] website, but not one number. It was as if somebody did a search and replace with a black line for anything that was a decimal.[72] The Chief Executive Officer of PPP Canada, John McBride, however. argued that "[a]s regards deal structures, it's tough to share details about specific contracts or deal structures because they are extremely complex. They are legal agreements."[73]

PPP Canada also indicated that "[w]hen we make an investment with provinces or municipalities, we have to publish the value added study, which compares the costs of the traditional model with those of the PPP model. That analysis has to be published."[74] Matti Siemiatycki, Assistant Professor, University of Toronto, indicated, however, that these value-for-money assessments don't provide key information required to have a clear picture of P3 arrangements. As part of his research that looked at government documents in Ontario that compared the value-for-money assessments of 28 P3 project[75], he told the Committee that: "[W]e couldn't find the technical evidence — the details of past studies were not in the public domain. [...] It doesn't mean that it's not accurate. It means that we couldn't find the evidence to support it." [76]

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70 John Loxley, University of Manitoba, *Evidence*, Meeting No. 59, 0845.

71 Hugh Mackenzie, *Evidence*, Meeting No. 56, 1000.

72 Ibid.

73 John McBride, *Evidence*, Meeting No. 55, 0915.

74 Ibid., 0945.

75 Matti Siemiatycki and Naeem Farooqi, "Value for Money and Risk in Public-Private Partnerships: Evaluating the Evidence", *Journal of the American Planning Association*, Vol. 78, No. 3, Summer 2012.

76 Matti Siemiatycki, *Evidence*, Meeting No. 58, 0905 and 0910.

However, Michael Marasco, member of the Board of Administration, CCPPP, explained to the Committee that since P3 contracts are usually financed through bonds, they are all publicly rated.[77] In addition, the Committee learned that detailed financial information for these types of projects is publicly available in credit rating firms' reports.

Monitoring

In Canada, the practice at the federal government level is to hire an independent fairness monitor to monitor the bidding process and produce an independent report on its transparency and its fairness. As mentioned by James Paul, President and Chief Executive Officer, Defence Construction Canada, when considering the long-term accommodation project for Communications Security Establishment Canada, "[t]he collaborative aspects of this transaction are relatively unique, or at least very forward-thinking, in that a number of meetings and exchanges of information occurred prior to requesting the submissions from the proponents. All of this was done with the full involvement and interaction of a fairness monitor, because you need to make sure that no one proponent is getting any advantage over another."[78]

While upfront planning involves enhanced monitoring, the long-term monitoring of P3 procurement is equally as important. Given the long-term life of these projects, the government's ability to monitor commitments under P3 arrangements is critical to the project's success and involves due diligence.

In British Columbia, as the President and Chief Executive Officer of Partnerships BC, Sarah Clark indicated that there is a team responsible for monitoring the construction. This team is however smaller than it has been in a traditionally built project, as contractors are responsible for their own quality assurance and control and for reporting all their tests to the province. Contractors are hiring the testers the province would have traditionally hired. The monitoring team that oversees it on behalf of the province is checking that those tests are being done, has all time access to the contractor's records, and does random testing daily and on site. Over the 30 years of operation, private partners are paid for performance and they can be penalized for not performing.[79]

Marcus Akhtar, Project Director of the Abbotsford Regional Hospital and Cancer Centre, John Laing Investments Ltd, indicated that "[t]here are very large and conclusive specifications for all our subcontractors. For example, one of the advantages of a PPP project is that we're highly incentivized to ensure that the asset is available 100% of the time. For example, if an operating room should be unavailable for an entire day, we would be paying a penalty of about $3,000 per day. As you can imagine, if this was multiplied by

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77 Michael Marasco, *Evidence*, Meeting No. 56, 1000.

78 James Paul, Defence Construction Canada, *Evidence*, Meeting No. 58, 0855.

79 Sarah Clark, *Evidence*, Meeting No. 59, 1010.

multiple rooms, it would be quite significant."[80] Sarah Clark, President and Chief Executive Officer, Partnerships BC, further said "[y]ou still have a significant amount of oversight, but you're not actually doing the work. These are all respected, qualified testing agencies."[81]

80 Marcus Akhtar, Abbotsford Regional Hospital and Cancer Center for John Laing Investments Ltd., *Evidence*, Meeting No. 59, 1015.

81 Sarah Clark, *Evidence*, Meeting No. 59, 1015.

SUMMARY

As the marketplace for P3s is growing, with at its heart, the large infrastructure deficits, it is important to identify the circumstances under which P3 projects have demonstrated the ability to deliver better value for taxpayers. It is also important to identify the limits of P3s and circumstances in which a P3 delivery model is suitable and when it is not. P3s are an important tool in the tool box, but like all tools, should only be used under the right circumstances. The value of P3s is best leveraged in large and complex projects where innovation can reduce lifetime costs and deliver better infrastructure. Very special-purpose and sophisticated projects are also circumstances that can justify the value of the P3 option.

In terms of advantages, P3s promote better upfront planning, more complete long-term planning, whole life-cycle cost optimization, enhanced monitoring during project management phases and appropriate risk sharing, while creating incentives for innovation and delivery of projects on time and on budget.

However, although projects under P3 arrangements can be of higher quality, be delivered more quickly, and use less financial resources than traditional procurement models, they also have limitations.

Improving the Procurement Framework

Over the past 20 years, Canada has become a global leader in P3s, attracting P3 developers and partners from around the world to invest in Canadian infrastructure. Canada has developed a model that has incorporated best practices and lessons learned from around the world. The learning process is not over and governments need to analyze their failures and successes, to identify other areas where it can improve its procurement, whether it is a P3 or a traditional model. Traditional procurement models could benefit from the discipline and oversight that are usually associated with P3 projects, as it would improve their delivery and outcomes. Finally, designing systems and redesigning reporting mechanisms could be an incentive for the public sector to improve the way it manages all projects including those under traditional arrangements.

CONCLUSION

Committee Recommendations

The Committee heard testimony that P3 arrangements are an increasingly used and innovative means of building much-needed infrastructure in Canada. As compared to traditional procurement, the P3 option is particularly well suited for large and complex projects.

When determining whether or not the P3 option is the best model for a certain project, the Committee recommends that careful consideration be given to the following factors: a thorough value-for-money analysis, an understanding of the risk transfer, transaction and upfront costs, financing considerations, and long-term maintenance.

In addition, the Committee acknowledges that transparency and monitoring should be an integral part of the process and recommends that the federal government should make further progress building transparency, monitoring and reporting mechanisms into P3 agreements.

The Committee recommends that the calculation of the risk premiums should be supported by verifiable figures based on empirical evidence for federal P3 projects.

The Committee further recommends that value-for-money analysis methodology for federal P3 projects should be readily available and accurate, and comprehensive information should always be made available on the detailed value-for-money calculations.

The Committee also acknowledges the work of PPP Canada in advancing knowledge and expertise in the areas of P3 and encourages further capacity building within its mandate. Finally, the Committee recommends that PPP Canada consider expediting the production of a document to guide P3 practitioners with their analysis.

APPENDIX A
LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
PPP Canada Inc.	2012/10/04	55
John McBride, Chief Executive Officer		
C.D. Howe Institute	2012/10/16	56
Finn Poschmann, Vice-President, Research		
Canadian Centre for Policy Alternatives		
Hugh Mackenzie, Research Associate		
Canadian Council for Public-Private Partnerships		
Michael Marasco, Member of the Board of Administration		
Mark Romoff, President and Chief Executive Officer		
Conference Board of Canada		
Vijay Gill, Associate Director, Public Policy		
Canadian Construction Association	2012/10/18	57
Michael Atkinson, President		
Canadian Union of Public Employees		
Toby Sanger, Senior Economist		
Edmonton Public Schools		
Sarah Hoffman, Board Chair		
John Nicoll, Managing Director of Facilities		
Edgar Schmidt, Superintendent of Schools		
Federation of Canadian Municipalities		
Brock Carlton, Chief Executive Officer		
Adam Thompson, Policy Advisor		
City of Winnipeg	2012/10/23	58
Sam Katz, Mayor		
Rhea Yates, Press Secretary		
Defence Construction Canada		
James Paul, President and Chief Executive Officer		
Government of Ontario		
Drew Fagan, Deputy Minister, Ministry of Infrastructure		
Infrastructure Ontario		
Bert Clark, President and Chief Executive Officer		

University of Toronto	2012/10/23	58
Matti Siemiatycki, Assistant Professor, Department of Geography and Program in Planning		
Bilfinger Berger Project Investments Inc.	2012/10/25	59
Damian Joy, President and Chief Executive Officer for North America		
John Laing Investments Ltd.		
Marcus Akhtar, Project Director, British Columbia, Operations, Abbotsford Regional Hospital and Cancer Centre		
Tara Rogers, Bid Director, Business Development		
Partnerships British Columbia		
Larry Blain, Chair, Board of Directors		
Sarah Clark, President and Chief Executive Officer		
University of Manitoba		
John Loxley, Professor, Department of Economics		
As an individual	2012/11/01	61
Ian Lee, Professor, Sprott School of Business, Carleton University		
Fengate Capital Management Ltd.		
George Theodoropoulos, Managing Director, Infrastructure		
Institut pour le partenariat public-privé		
Roger Légaré, Managing Director		
Johanne Mullen, President		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 55, 56, 57, 58, 59, 61, 67, 71, 72, 73 and 75) is tabled.

Respectfully submitted,

Pat Martin

Chair

Supplementary Report of the New Democratic Party of Canada

The New Democratic Party wishes to thank all of the witnesses who appeared before the Standing Committee on Government Operations and Estimates (OGGO) in the course of our study on Private Public Partnerships (P3s). The witness testimony offered valuable perspectives and insights on their experiences with this model of project delivery, including suggested limitations to its use and recommendations for improvement.

While the Committee report reasonably documents most of the testimony given, we find the general recommendation falls short in informing the House of the detailed insights and practical advice offered by those with experience with P3 projects. The advice is useful to ensuring greater accountability and oversight for public spending on, and management of, infrastructure projects, including through the P3 model. Many of the recommended safeguards, if considered and adopted, could in our view enable improved transparency and efficacy in P3 projects, particularly for any assessments of value for money. The overall end goal must continue to be delivery of accessible, affordable public services to Canadians.

New Democrats adhere to the basic principle that the foundation for decisions on delivery and oversight of public infrastructure and services must be good governance and sound public administration, not an ideological preference for private over public.

Currently only 10% to 20% of new infrastructure projects are delivered through a P3 model. As a consequence, it is important to recognize the limitations of this model in meeting growing infrastructure needs. Government attention should now shift towards improving management of the majority of new and renovated infrastructure, which is publicly financed and managed.

The P3 model can enable greater value for money for some infrastructure projects, where it provides quantifiable value-added benefits, enhancing the accessibility, quality and continuity of service to citizens and ensures maximum transparency and integrity in the process used. However, a number of qualifiers or preconditions are necessary to ensure accountability and continued access to affordable high-quality public services.

New Democrats therefore recommend that the following specific measures be taken to ensure greater efficacy, consistency and accountability in utilizing the P3 model:

1. That the federal government follow the example of provincial jurisdictions such as Manitoba and enact legislation to require greater transparency and public accountability; to prescribe the process for evaluating projects for P3s inclusive of a value for money analysis; to address potential for conflict of interest; and, to require and assign monitoring and audit functions.

2. That federal infrastructure financing of projects for other jurisdictions be made accessible from one consolidated fund, rather than a dedicated P3-specific fund, thereby enabling each recipient to determine appropriate funding mechanisms.

3. That given the limited Canadian experience to date with privatized approaches to the long term operation and maintenance of infrastructure, the P3 model merits longer term assessment of its performance on cost, risk and accessibility.

Further, the Committee study identified clear issues with transparency, accountability and public sector expertise and capacity in use of the P3 model, as well as conflicting roles for PPP Canada. To address these concerns New Democrats recommend that the following *concrete* measures be implemented for infrastructure projects delivered by, or financed in whole or part, by the federal government:

4. That the PPP Canada office be replaced by an autonomous agency reporting to PWGSC with a core responsibility for supporting public sector capacity to screen, negotiate and manage P3 projects. Taxpayer dollars should not be allocated to promoting P3s.
5. That full public disclosure be required for any information and data considered in the initial assessment process to select a P3 delivery model, and for all value for money assessments for P3-managed projects.
6. That the Parliamentary Budget Officer be mandated to review value for money assessments to provide independent verification of the information and assumptions underlying any VFM calculations.
7. That the PWGSC's Fairness Monitor be mandated to oversee and review all P3 bidding processes and publicly report the terms of the P3 contract while respecting commercially confidential information.
8. That any federal entity or federal grant recipient be required to undertake public consultations before proceeding with a bidding process to identify and examine local economic benefits or issues related to a proposed P3 project.
9. That an open, competitive and transparent tendering process be required for all P3 projects with a minimum of three bidders in any competitive process.
10. That all P3 agreements require reporting on total financial costs and service delivery at specified intervals during the partnership and that PWGSC be required to report publically on these findings on an annual basis.
11. That the delivery of core public services that are of high quality, affordable and accessible remain a key focus when considering any privatized delivery option, including through P3.