ONTARIO 360

Policy Solutions for Ontario's Prosperity

Public-Private Partnerships: Is a reassessment underway?

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The *Ontario 360* project is grateful for financial support from the W. Garfield Weston Foundation and The Donner Canadian Foundation. We also recognize the support of the University of Toronto and the Munk School of Global Affairs and Public Policy as the *Ontario 360* project's intellectual and administrative home. The support of these partners enables us to commission evidence-based research and facilitate dialogue between policy experts and policymakers in the Province of Ontario. Our advisory council, authors, and Munk School faculty, students, alumni, and supporters do not necessarily endorse or affirm the policy recommendations advanced by the different contributors.

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Introduction

For 20 years, public-private partnerships have been the favoured model for delivering large scale infrastructure such as public transit lines, highways, bridges, hospitals and courthouses in Canada. To date, there are 291 active PPPs in the country, with a value of over $139 billion, making Canada one of the leading users of PPPs globally.[1]

PPPs have always been contentious, fostering vigorous debate about the implications of greater private participation in the design, construction, financing, operations and maintenance of public infrastructure compared to more traditional procurement options.[2] For advocates, PPPs are an effective way of achieving value for money in complex projects by leveraging private capital, spurring innovation, and transferring project risks from government to the private sector. Critics, on the other hand, have emphasized concerns about limited transparency, minimized community engagement, and a loss of government control over key civic assets when delivered through PPPs. Amid the debate, since the mid 2000s PPPs have been enshrined in public policy and widely promoted by industry as the best model for delivering large scale infrastructure.

Now the tide is turning. Recently, PPPs have started to fall out of favour in Canada, with governments looking seriously at alternate procurement approaches for the first time in a generation.

What explains the declining popularity of PPPs from their spot as the preferred model for delivering major infrastructure projects in Canada? This paper explores the shifting political economy, policy and commercial landscapes towards PPPs, and explores the implications for communities and policymaking. It shows how PPPs rose to prominence in Canada on a wave of governments seeking to achieve value for money by transferring risk and tapping into private sector-led innovation. However, PPPs have not started falling out of favour on ideological grounds, but rather due to recent struggles with high profile PPP projects experiencing cost overruns, delays, poor service quality, a loss of control over community assets, frayed relationships among partners, and several key industry players exiting the PPP business in Canada altogether.

This paper charts the dramatic rise and questions whether we are seeing the beginning of the decline of PPPs in Canada, while exploring what comes next. Rather than a rejection of PPPs entirely, there is an evolution in the ways that governments and the private sector are partnering to deliver large scale infrastructure in Canada.

[1] See http://www.p3spectrum.ca/

[2] Murphy, T.J. (2008). The case for public-private partnerships in infrastructure. *Canadian Public Administration* 51 (1), 99-126.; Whiteside, H. (2020). Public-private partnerships: market development through management reform. *Review of International Political Economy.* 27, 880-902.

The Rise and Rise of Public-Private Partnerships

To understand the magnitude of the decline of PPPs, it is first important to chart their meteoric rise and staying power in Canada. Modern public-private partnerships are a global phenomenon that originated in Britain in the early 1990s and subsequently traveled around the world as the state-of-the-art for delivering large public infrastructure projects.

PPPs were embraced for technocratic and ideological reasons, and characterized as a governance scheme and a language game.[3] They were ideologically driven by an assertion about the efficiency and cost savings of market actors operating in competitive conditions as opposed to government monopolies, and in some cases an antipathy towards organized labour.

Technically, PPPs put great weight on bundling project delivery functions into a single long-term concession contract with a consortium of firms, transferring key project risks to the private sector, and developing pay for performance mechanisms including private risk capital at stake to motivate and hold the private sector accountable.[4]

First Wave PPPs

From this foundation, the specific rationales and models of PPPs have varied by jurisdiction across the country and evolved over time. In Canada, the first wave of public-private partnerships was undertaken between the mid 1990s and early 2000s. During this period, PPPs were highly market oriented and motivated by a desire to raise private money so that cash strapped governments could deliver new public infrastructure without taking on additional debt. To this end, PPPs typically included user fees, aimed to transfer as much risk as possible to the private sector, and sometimes used off balance sheet accounting treatments to minimize how they impacted on reported government debt levels. Key Canadian examples of PPPs during this era included the Nova Scotia schools PPP initiative that bundled 31 schools into three separate long-term concessions, toll roads such as the Fredericton-Moncton Highway in New Brunswick, the Highway 407 long-term lease in Greater Toronto, the iconic Confederation Bridge that connects Prince Edward Island with mainland New Brunswick, and hospitals in Ottawa and Brampton, Ontario. In most cases, government departments rather than central infrastructure agencies procured

[3] See Hodge, G. and Greve, C. (2009). Public-Private Partnerships: Governance Scheme or Language Game? The Australian Journal of Public Administration, vol. 69, no. S1, pp. S8–S22

[4] Garvin, M., and D. Bosso. (2008). Assessing the effectiveness of infra- structure public–private partnership programs and projects. Public Works Management and Policy. 13 (2): 162–178.

the PPP deals themselves, and the projects were designed, built, financed, operated and maintained by the private sector partner.[5]

Despite some projects like the Confederation Bridge being engineering triumphs and Highway 407 using the first automated electronic toll collection system in the world, the PPPs of this era faced significant challenges. When proposed, these PPPs met strong community and labour opposition as a form of privatization of public services, and the presence of user fees on toll roads became a major point of contention from facility users and the wider community. In the case of the Fredericton-Moncton Highway in New Brunswick, resident opposition forced the provincial government to remove the tolls.[6] In Ontario, the provincial government that came into office following the long-term lease of Highway 407 to a private concessionaire launched legal action to remove the tolls from the road, which was ultimately unsuccessful.[7] And in Nova Scotia, the PPP schools contracts proved expensive and inflexible; a government audit found that the schools were far more expensive than if the government had built them itself, and many of the contracted levels of service for student health and safety were not being delivered.[8] By the early 2000s, the PPP brand was tarnished by a series of high profile problems and loud opposition.

Second Wave PPPs

Faced with acute challenges to the future of PPPs, beginning in the early 2000s, the rationales and political economy of PPPs in Canada shifted, as a second wave emerged. During this period, the balance changed from PPPs as a more fundamentally ideological project in favour of privatization to repositioning the role of government and PPPs as a bipartisan supported governance and project delivery model that would deliver superior results to traditional public procurement. Following a spate of high-profile traditionally delivered mega-projects nationwide that had major cost overruns, delays and performance problems, achieving value for money and transferring risk to the private sector became the driving rationale for PPPs in Canada. On time and on budget became the calling card of PPPs.

In response to the challenges to PPPs during the first wave of projects, PPP advocates promoted models that emphasized public ownership of the underlying asset, used government payments to the concessionaire rather than unpopular user fees or tolls, brought construction trade unions on board

5 Siemiatycki, M. (2015). Reflections on Twenty Years of Public-Private Partnerships in Canada. *Canadian Public Administration*. 58(3). 343-362.

6 See: https://www.theglobeandmail.com/news/national/lord-eliminates-toll-on-highway/article1037390/

7 See: https://www.tvo.org/article/the-right-to-hold-people-to-ransom-how-and-why-the-tories-sold-highway-407

8 See: https://oag-ns.ca/sites/default/files/publications/2010%20-%20Feb%20-%20Ch%2003%20-%20Education%20-%20Contract%20Management%20of%20P3%20Schools.pdf

with PPPs, which fragmented ongoing opposition from public sector unions, and limited private sector operations of key public services. The value of PPPs was not explained in more ideological terms as being based on the superiority of the private sector over government, but rather in the incentives built into the pay for performance PPP contract model and the private capital at risk that locked in significant risk transfer to the private sector partner. During this second wave, PPPs took off, especially with vertical infrastructure like hospitals, courthouses, prisons and emergency service stations, as well as major highways and bridges. Across Canada, dozens of PPPs were approved and delivered over the decade between 2006 and 2016.[9] This made Canada among the most significant PPP markets globally, and the largest international contractors and investors from the United States, Spain, Germany, France and Australia all came to Canada to participate in domestic PPPs.

Beginning in British Columbia and then in Ontario, Saskatchewan and at the federal level, governments formed special purpose agencies to promote and deliver PPP projects in their jurisdiction. In British Columbia, Partnerships BC was formed under a right of centre provincial government with small business roots, while in Ontario Infrastructure Ontario was created by a centrist, pro-big business administration. In Ontario, public-private partnerships were explicitly rebranded as Alternative Finance and Procurement projects to distance PPPs from their more contentious roots and associations with privatization.

With large public agencies tasked with promoting and delivering PPPs, governments across Canada enacted rules and regulations to embed PPPs in public policy. In Ontario, British Columbia and at the federal level, PPP-first rules were enacted that required all projects over a certain cost threshold to be screened to be delivered as PPPs unless there was a strong rationale not to.[10] The PPP agencies developed value for money assessments as an assurance screen that was required prior to approval for all infrastructure projects being considered as PPPs. In Ontario, the Auditor General found that of 200 value for money studies conducted on 74 projects between 2006 and 2013, all concluded that PPPs were the favoured model of project delivery.[11] And standardized contract templates were produced to smooth the replication of PPP projects across infrastructure asset sectors. For all intents and purpose, PPPs were the only game in town for big projects in Canada.

The policy staying power of PPPs came from their reported record of delivering major projects on time and on budget. While academic research and auditor general reports debated whether PPPs

[9] See: http://www.p3spectrum.ca/graphs/

[10] See Rachwalki, M. (2013). Public Sector Capacity to Plan and Deliver Public/Private Infrastructure Partnerships (P3s): A Case Study of British Columbia's Healthcare Sector. P.2. https://dspace.library.uvic.ca/bitstream/handle/1828/4506/Rachwalski_Maurice_PhD_2013.pdf?sequence=11&isAllowed=y

[11] https://www.auditor.on.ca/en/content/annualreports/arreports/en14/305en14.pdf, p202.

were actually a lower cost model of delivering infrastructure and realizing true design and service innovation, politicians and governments reported with certainty that PPPs were consistently meeting on time and on budget targets, an almost impossible feat under traditional procurement models. Leading global accounting and financial consultancies also consistently published reports reinforcing that Canada had developed among the most robust and sophisticated PPP markets in the world.[12] The power of the on time and on budget message for PPPs, reinforced by the praise from some of the biggest names in global consulting, had strong political currency in a context where high profile cost overruns and project delays were a source of government embarrassment. Even though there were poor performing PPP projects during this period -- including alleged corruption scandals on hospital projects in Montreal and Toronto -- the overwhelming public narrative from the industry was that PPPs were a success, and certainly more effective than the traditional public procurement option.[13]

The narrative of PPPs as a long-term fixture of the Canadian infrastructure delivery approach was further reinforced during the global financial crisis, when Canadian PPPs survived the seizing up of capital markets relatively unscathed. While projects in procurement at the time struggled to raise capital during the depths of the financial crisis, there were no high-profile financial failures of operational PPPs as in other countries such as Spain. PPP activity recovered and rebounded relatively quickly in Canada, in no small part because of how deeply institutionalized PPPs were in the governance processes of infrastructure planning and delivery.[14]

The reported performance record for PPPs made the public sector PPP agencies powerful within the government hierarchy, giving them even more leverage to reshape capital planning processes to preference PPPs and convert sceptical ministries to delivering their projects through PPPs. As PPPs rose in importance, an industry lobby also gained prominence to promote their spread and longevity. At its annual conference, the Canadian Council for Public-Private Partnerships hosted sessions and networking events for over a thousand private and public sector participants, often with keynotes from senior political leaders like provincial premiers, federal cabinet ministers, and the governor of the Bank of Canada, reinforcing the primacy of PPPs as the model of choice for infrastructure

[12] See for instance this report from KPMG, https://assets.kpmg.com/content/dam/kpmg/pdf/2015/06/public-private-partnerships-june-2015.pdf, which noted that 'Canada is seen as the standard-bearer for good practice in this regard, with dedicated provincial infrastructure units and a strong project pipeline'.

[13] McArthur, G. and Howlett, K. (2023). Former St. Michael's Hospital executive Vas Georgiou, construction boss John Aquino charged in corruption probe. *Globe and Mail.* See: https://www.theglobeandmail.com/canada/article-corruption-construction-st-michaels-hospital/ ; Cherry, P. (2018). MUHC bribery scandal: A timeline of 'the biggest fraud in Canadian history'. *Montreal Gazette.* See: https://montrealgazette.com/news/local-news/muhc-bribery-scandal-a-timeline-of-the-biggest-fraud-in-canadian-history

[14] Whiteside, H. (2013). Stabilizing Privatization: Crisis, Enabling Fields, and Public-Private Partnerships in Canada. *Alternative Routes: A Journal of Critical Social Research.*

delivery.[15] The CCPPP also produced research that promoted the spread of PPPs into sectors like municipal infrastructure services that had been slower or resistant to adopt the model, and an awards program celebrating the best PPPs in the country. The PPP model was being woven into the fabric of the way that large infrastructure projects were delivered in Canada, while Canadian PPP experience was gaining notice internationally and increasingly becoming an export industry.

In sum, between the early 2000s and the late 2010s PPPs were especially resilient. PPPs in Canada survived a lack of public popularity in the 1990s, the global financial crisis in the late 2000s, and a close brand association with unpopular privatization schemes. For all intents and purposes, PPPs appeared flexible and resilient to overcome and evolve in the face of a variety of challenges. This makes what has happened next all the more surprising.

[15] See: https://canada.constructconnect.com/dcn/news/infrastructure/2016/11/proper-asset-management-integral-to-building-ontario-wynne-1019905w ; https://www.bankofcanada.ca/wp-content/uploads/2010/01/pr05-24.pdf ; https://issuu.com/amberlightproductions/docs/p3_2015_conference_page_break_repor

The Decline of PPPs?

At the turn of the 2020s, the narrative on PPPs shifted, along with public sentiment and project delivery practice. Most visibly, PPPs have become synonymous with some of the worst performing infrastructure projects in the country, led particularly by challenges in the transit sector.

The Ottawa Confederation Line light rail project has faced cascading construction and operating problems. This includes a major sinkhole and delays during construction, two derailments, and a lengthy shutdown of the four-year-old system due to technical deficiencies. The project was the subject of an exhaustive, high profile public inquiry in 2022.[16] In Toronto, the Eglinton Crosstown light rail line is over budget and late, while the public agency managing the construction has struggled to definitively say when the project will be finished. In both cases, lawsuits have been filed back and forth between the partners over the years, highlighting deteriorating relationships between parties that are meant to be partners. In Edmonton, LRT construction has been delayed by the discovery of large cracks on the concrete piers holding up the overhead guideway. A recent city auditor general report found that the municipal project managers followed appropriate processes and practices in managing the PPP, and yet it has still struggled with major delivery challenges.[17]

Outside of the transit sector, Nova Scotia spent tens of millions of dollars buying back a dozen PPP school buildings from their private developers, finding that it would be less expensive to own and operate them than continue with the private deals. Alberta in 2022 announced that it was halting the use of PPPs to deliver schools. The province concluded that the model was too restrictive for school officials to meet local needs (including the ability to adjust temperatures in the building due to strict PPP contracts) or enable the development of mixed-use hubs with libraries and recreation centres that are increasingly at the heart of vibrant communities. Local school trustees celebrated the decision.[18] The Alberta experience picks up on a broader critique from local governments that PPPs achieve weak city building by fostering mediocre rather than exceptional facility architecture, design and integration of multiple uses due to the rigidity of the procurement model.[19]

These PPP projects increasingly appeared unaccountable and unmanageable. They

[16] Disclosure: The author was an independent advisor to the Ottawa Light Rail Transit Public Inquiry

[17] Disclosure: The author was an independent advisor to the Edmonton Auditor General

[18] See: French, J. (2022). Alberta no longer using P3 approach as preferred way to build schools. CBC See: https://www.cbc.ca/news/canada/edmonton/alberta-no-longer-using-p3-approach-as-preferred-way-to-build-schools-1.6697233 ; French, J. (2020). Cautionary tales should steer government away from P3 projects, NDP says. Edmonton Journal. See: https://edmontonjournal.com/news/politics/cautionary-tales-should-steer-government-away-from-p3-projects-ndp-says

[19] Van den Hurk, M. and Siemiatycki, M. (2018). Public–Private Partnerships and the Design Process: Consequences for Architects and City Building. *International Journal of Urban and Regional Research.* 42(4), 704-722.

had come to be seen less as a genuine partnership and more as a complex form of contracting that privatizes profits and socializes risk. In addition to their high cost because of premiums on the use of private capital, governments lost control of project management and their key civic assets over the long-term. Yet governments remained the risk holder of last resort when major problems arose, in a number of cases ultimately paying additional money to cover cost overruns to complete over-budget projects, and fielding the ire of residents when major projects missed their construction deadlines or failed to operate as planned. The key political selling point of PPPs as delivering on time and on budget was no longer being consistently met. Nor was the notion of PPPs as a genuine partnership.

Institutionally within government, the overwhelming preference for PPPs faded as well. In 2015, the federal government folded the national PPP agency, and quietly removed the screen requiring that all large infrastructure projects be considered as PPPs. In British Columbia and Ontario, the agencies set up to promote and deliver PPPs in the 2000s were repositioned to be more generally focused on effective infrastructure project delivery, regardless of the procurement model.

In fact, the pull back from PPPs was not only by governments but also from major firms in the industry. As governments sought to transfer significant construction cost risks to the private sector to achieve on time and on budget performance, these risks began materializing and becoming more costly than some firms could bear. In the United Kingdom, major PPP contractors such as Carillion abruptly went bankrupt, with ripple effects on their Canadian operations.[20] And Canadian engineering giant SNC Lavalin exited the fixed price PPP market after some poor project outcomes. Receiving sufficient competition for PPP project calls for proposals became increasingly difficult, as fewer firms had the appetite or the financial ability to bid for the largest and most complex projects.

As PPPs have lost their luster, the industry narrative has changed. From a general confidence about the merits of PPPs that pervaded the industry, for the first time in twenty years industry practitioners are more openly criticizing and questioning the future of PPPs. There are growing calls within the industry, including from some who were the most vociferous advocates for PPPs, to examine alliance and collaborative types of project delivery models of contracting that focus on relationships and share rather than transfer project risks and responsibility.[21]

[20] https://www.cbc.ca/news/business/carillion-canada-creditor-protection-1.4503849

[21] KPMG. (2022). Alliance contracting: Lessons learned globally. See: https://kpmg.com/ca/en/home/insights/2022/01/alliance-contracting-lessons-learned-globally.html

PPPs: The Ontario Story

PPPs in Ontario have been a microcosm of each passing stage of the national trajectory. At each stage, PPPs were applied as both a technical approach to delivering large complex projects, and closely wrapped up in the prevailing ideological currents and electoral politics of the day. During the first wave of PPPs in Ontario in the 1990s, PPPs were tightly associated with the common sense revolution of Premier Mike Harris's Progressive Conservative government. During this period, tapping into private sector expertise, transferring risk to the private sector, and raising significant private money to augment public funds were driving rationales.

This can be seen in the explanation put forward by Premier Harris for selling Highway 407 in a long-term lease: "The sale put $3 billion into Ontario's coffers and led to our being able to avoid very heavy expenditures on the highway."[22] The implications of this decision continue to reverberate today. The highway was estimated to be valued at $30 billion in 2019, ten times as much as at the time of the sale, creating vast wealth for its current private and institutional owners; and the ironclad contract with the private operator has meant that the government is unable to compel the reduction of the tolls to encourage higher traffic volumes on the highway (and particularly truck traffic in the busy corridor), feeding into a contemporary provincial proposal to build a new massive ring-road highway in the western part of the Toronto region.[23] Similarly, an Auditor General report on the William Osler Health Centre PPP in Brampton carried out during this period found that the goal of tapping into private sector capital to finance the project meant that it cost far more than had the hospital been delivered using traditional government finance, and that the government lacked the inhouse expertise to effectively evaluate the project.[24]

When the Liberals took office in 2003, the brand of PPPs in Ontario was highly damaged. Nevertheless, a hot button issue at the time was significant cost overruns and delays challenging major hospital projects in the province.[25] While the Ontario Liberals had campaigned in opposition to the Highway 407 deal during their winning election campaign in 2003, they chose to reframe PPPs as a mechanism to transfer risk and achieve on-time and on-budget delivery. To do so, they created Infrastructure Ontario as a special purpose agency with the expert skills and capacity to take the lead on evaluating, promoting and delivering PPP projects across government.

[22] Mike Harris quoted in: https://www.tvo.org/article/premiers-harris-and-peterson-respond
[23] See: https://www.mississauga.com/opinion/cancelling-highway-413-requires-feds-to-remove-tolls-on-highway-407/article_0afcd95d-1f0d-5dee-9987-3ee7ef196722.html
[24] See: https://www.auditor.on.ca/en/content/annualreports/arreports/en08/303en08.pdf, p.115
[25] See: https://www.thefreelibrary.com/Private+money+to+build+North+Bay+hospital%3A+cost+over-runs+at+hospital...-a0135458628

In its early days, Infrastructure Ontario was an aggressive promoter of PPPs in the province and across government. As the organization showed promising initial results, its favour with the political leadership and status within the Ontario public service grew. Over time, Infrastructure Ontario converted sceptical ministries and expanded its reach with PPPs into sectors including health, justice, post-secondary education, highways, and transit, and took over responsibility for the province's real estate holdings. A 2014 report by the Ontario Auditor General estimated that the Ontario government had spent $8 billion in upfront risk transfer costs to achieve much lauded on budget project performance. But it did little to dent the political support for PPPs in the province.[26]

Through the 2010s, Infrastructure Ontario's promotion and rigid adherence to PPPs from the organization's early years began to soften, as the models morphed to optimize rather than maximize risk transfer to the private sector. Nevertheless, the favour for PPPs remained strong amongst industry and trade unions, while still facing vocal ongoing criticism from the public sector unions. Toronto had become a major global hub for infrastructure firms and investors seeking to tap into the immense wave of large infrastructure projects in the province and across the country. Up until the late 2010s, although there were individual projects or firms that faced their own difficulties, PPPs continued to be the model of choice for delivering big infrastructure projects in Ontario.

Yet as noted above, transit projects proved to be the turning point for PPPs in Ontario. The widely reported struggles with the Confederation Line light rail project in Ottawa and the Eglinton Crosstown light rail line in Toronto spotlighted the significant financial risks for industry in the PPP model, and shook the public and political confidence in the capacity of PPPs to deliver on-time and on-budge performance.

The election of the Progressive Conservative government in 2018 marked a third inflection point for PPPs in Ontario. The rapid expansion of infrastructure of all types was a key element of its platform, but the new government was unwedded to the political capital their predecessors had sunk into PPPs. The Progressive Conservative government was both right of centre and pro-market in political orientation, and also highly motivated to move quickly and accelerate infrastructure planning, approvals and construction.

Five years into their time in office, the Progressive Conservatives have moved to expand the range of procurement models used, both increasing the role of the public sector in facility design and delivery in some instances, and pushing for expanded private sector roles in others. In a high-profile statement made at the 2022 Canadian Council for Public-Private Partnerships conference that captured the province's contemporary approach to procurement, the Ontario Minister of Infrastructure announced that the province was looking to apply 'the right model for

[26] See: https://www.auditor.on.ca/en/content/annualreports/arreports/en14/305en14.pdf , p. 197.

the right project'. In particular, the province was 'closely watching' the emergence of procurement models like the 'progressive' approach that entail a greater role for the public sector working closely with a private developer in project design and delivery than under the typical PPP model.[27] Most recently in November of 2023, the provincial government also announced the creation of the Ontario Infrastructure Bank, intended to attract institutional investors like Canadian pension funds to invest in transportation infrastructure, energy projects, affordable housing and long-term care. While the details remain limited, the mandate of the Ontario Infrastructure Bank reflects a throwback to the early wave of PPPs in Canada which emphasized greater private sector responsibility and aimed to tap into private capital to augment public resources and accelerate the delivery of critical infrastructure.[28]

[27] See: https://www.partnershipsbulletin.com/article/1806010/exclusive-ontario-infra-minister-%E2%80%9Cclosely-watching%E2%80%9D-development-progressive-model

[28] See: https://oibank.ca/

Discussion and Recommendations

The declining dominance of PPPs as currently practiced in the Canadian infrastructure sector is not because of a shift in ideology, but rather an accumulation of experience and an evolving political economy of procurement and project delivery. Indeed, some of the governments cancelling PPPs or moving in other directions are right of centre politically and might be ideologically pre-disposed to favouring greater private sector participation in the provision of public services. Similarly, some of the firms that are now critiquing the fixed price PPP sector are those that most vociferously promoted their merits years earlier. The narrative on PPPs in Canada was resilient for years, then began to shift quickly.

To be certain, PPPs have not disappeared from the Canadian or Ontario infrastructure sector landscapes. There are hundreds of active Canadian PPPs that are either in their long-term private operations and maintenance phase or currently in planning or under construction, many of them performing as expected with little fanfare.

Yet shifts in practice are taking hold. Ontario has broken up some of its largest urban transit project contracts into smaller segments to attract more market competition, which counters the traditional logic that PPPs are best suited for the biggest and most complex contracts. British Columbia, Ontario and the federal government are also piloting progressive design-build and alliance contracts for large hospital and transportation projects, aiming to encourage early collaboration with the private sector to drive project innovation and collectively manage project risks. In the progressive design-build model, the public sector client selects a qualified design-build contractor and 'progresses' the design of the project towards a proposal that meets the client's design, cost, schedule and lifecycle needs. If a satisfactory project design and contract price are reached, the contractor then builds the project as specified.[29] In the alliance contracting model, the public sector client and the contractor form a joint organization to plan and deliver the project collaboratively. Key principles to drive collaboration are sharing information with an open book premise, collective decision making, apportioning risk and reward on a 'pain share/gain share' basis to align interests, and often prohibiting legal actions between the parties other than under specific circumstances. Alliancing is a slower and more labour-intensive model of contracting that is intended to deliver improved results through the fostering of meaningful collaborations.

It is early days for both the progressive design-build and alliance contracting model in Canada, as well as the other contracting reforms taking place in Ontario. As the range of procurement

[29] For more information on the progressive design-build model, see: https://dbia.org/wp-content/uploads/2018/05/Primer-Progressive-Design-Build.pdf

models evolve and expand, leadership capacity and effective project monitoring are critical to enable success and rapidly draw lessons from the experience. Expanding the data collected on mega-project procurement is paramount in order to enable the use of analytics and artificial intelligence techniques to identify success and risk factors in real time. Similarly, in line with programs set up in the United Kingdom, Australia and Hong Kong, Ontario should explore establishing a major-projects academy to train and support public sector infrastructure leaders to deliver large projects effectively. In the United Kingdom, where the training academy model was first developed, it is reported that the on time and on budget success rate of major projects has increased significantly as more project managers have gone through the program.[30]

A key lesson from the Canadian history of PPPs is that any procurement model is only as effective as the people delivering the projects. Ensuring that governments across the country have public sector project leaders trained in the most contemporary project delivery skills and armed with the best data on project procurement performance will increase the likelihood of successful project delivery, regardless of the selected model.

[30] See: https://www.sbs.ox.ac.uk/programmes/executive-education/bespoke-business-solutions/customised-business-solutions/case-studies-and-insights/major-projects-leadership-academy

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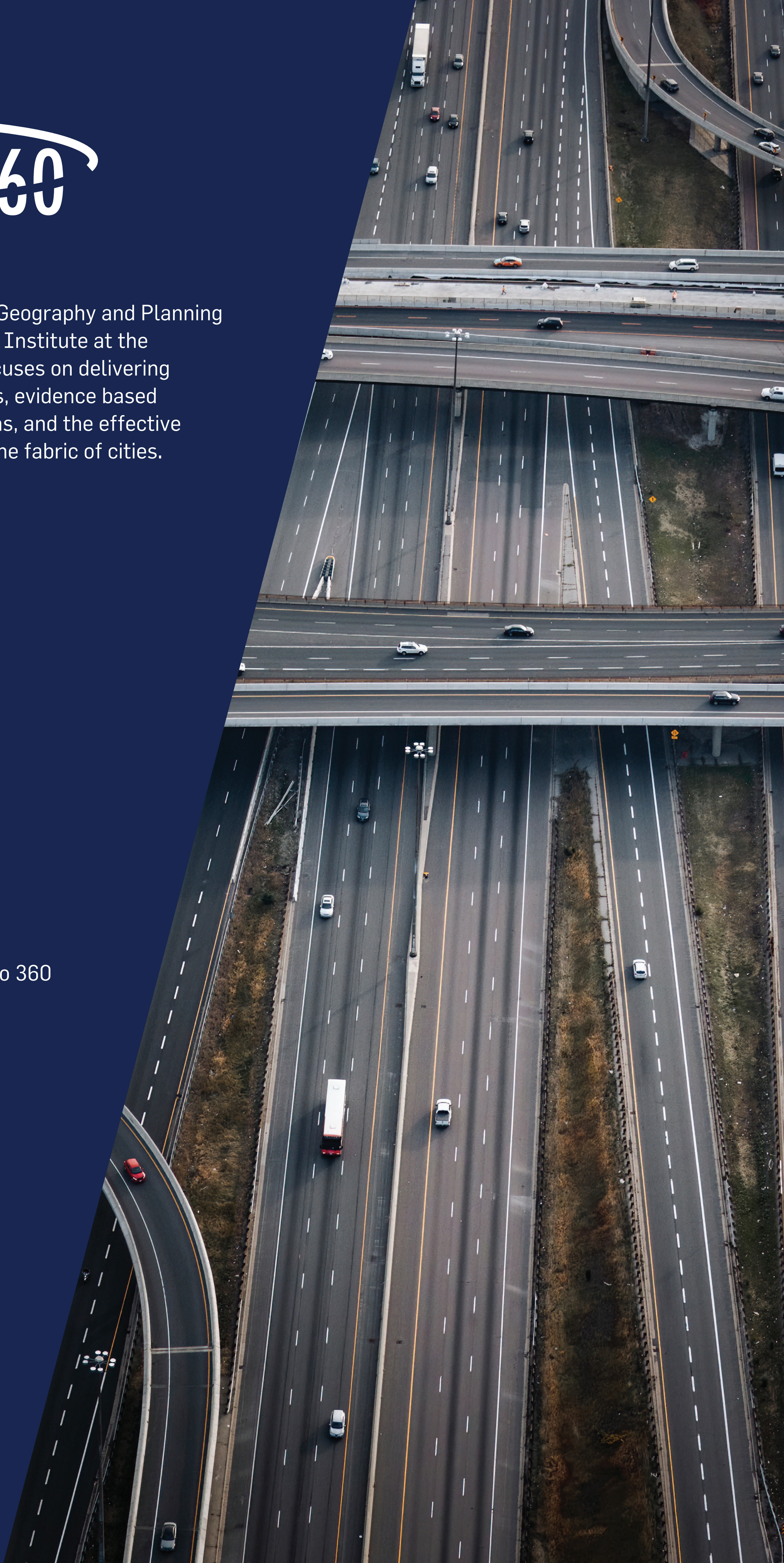

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