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## To Fix Transit, Ontario Should Look to the Private Sector

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Now that Ontario's mayors are getting back to work, the conversation will inevitably turn to transit and transportation. Mayors that have made this type of infrastructure a cornerstone of their election platforms will be knocking on the doors of Queen's Park, looking for funding.

The results of the recent municipal election have produced a strong mandate for renewed investment in transit and transportation infrastructure in particular. And they seem inclined to act on that mandate: the Province has announced it is dedicating \$29 billion for these kinds of projects.

In an era of fiscal constraint, how does the Ontario government get the biggest bang for its buck out of this fund? The answer is right under its nose: trust in the made-in-Ontario Alternative Financing and Procurement (AFP) model.

The government uses the AFP model as a means to leverage capital and expertise from the private sector to design, build, finance, and maintain major infrastructure projects. In doing so, the model transfers the risk of project cost increases and scheduling delays on to the private sector.

The AFP model sometimes gets a bad rap: just ask the Canadian Union of Public Employees who liken the AFP model to privatization. This simply isn't accurate. Other criticisms focus on whether government should contract a business to build publicly funded infrastructure.

While the former criticism has no basis, the latter has some merit. Small infrastructure projects can, under the right conditions, be managed by government -- given it has the capacity to do so. But as the scale of the project grows, so does the risk of cost and time overruns, which in the end can cost the taxpayer.

When it comes to major infrastructure projects, the AFP model is by far the better choice for three principal reasons.

First, the taxpayer is protected. With AFP, nearly all of the major costs associated with budget overruns and construction delays are shifted to a business. As a result, 97 percent of Ontario's AFP projects were completed on or under budget.

Second, the AFP model encourages innovation. By transferring risk, it takes advantage of the private sector's more efficient processes and new technologies. A recent study found that public-private partnerships (P3s) in Canada -- many of which use the AFP model -- have generated \$9.9 billion in cost savings for governments.

Third, the model encourages quality. Handing maintenance responsibilities (in addition to designing and building responsibilities) to the private sector encourages due diligence to quality in the design and construction phases. Business will want to avoid the potential costs associated with cutting corners up front.

According to a recent study, over the last 10 years, P3s in Canada (many of which use the AFP model) have created 517,430 total full-time equivalent jobs, \$48 billion in total gross domestic product (GDP), and \$7.5 billion in tax revenue. These benefits are spread widely across the country and the province.

The model was central in the completion of the Centre for Addiction and Mental Health in Toronto, the Data Centre in Guelph, and the Ottawa Hospital, among many other infrastructure projects.

By encouraging the use of the AFP model, Canada and Ontario have become home to world leading AFP expertise. Several Ontario companies have been able to leverage this expertise to export their know-how and processes. For example, Canadian-based PCL Constructors Canada Inc. was able to leverage its extensive AFP experience in Ontario to win the contract for a \$1 billion health centre in Melbourne Australia.

These benefits are not lost on Canadians. A recent poll by Nanos demonstrates increasing support (70 per cent) for private sector delivery of infrastructure projects, up from 60 per cent in 2004.

So as the province begins to grapple with the twin challenge of meeting municipal infrastructure needs while ensuring its limited dollars are spent wisely, it doesn't need to look far. If the model ain't broke, don't fix it.