

# THE WORLD'S MOST SUCCESSFUL P3 MARKET

Excerpts from the *Lessons from Canada* white paper  
**Service Works Global**

**D**uring the last decade there have been major political commitments to P3s across Canada, and among governments at the federal, provincial and municipal level, with over 200 infrastructure projects now in operation, under construction or in procurement. The Canadian experience demonstrates how regions that have to date made limited use of the P3 model can learn valuable lessons from global exemplars of good practice.

In a new white paper, Service Works Global in collaboration with the Canadian Council for Public-Private Partnerships (CCPPP), examines the development and the performance of P3 projects in Canada. The paper identifies the key factors that have contributed to its remarkable policy success.

## The global infrastructure challenge

Research conducted in 2013 by McKinsey Global Institute estimates that US\$57tn in new infrastructure investment is required between 2013 and 2030. In some countries, the infrastructure gap is already a drag on economic growth. The US is one of the world's most affluent societies, but the quality of its infrastructure is ranked 15th in the world (according to a report published by the American Society of Civil Engineers), and its comparative performance has declined over recent years.

In this context, PPPs provide an opportunity to invest over and above what formal government capital budgets will allow but, more importantly, to improve the quality of investment decisions, the efficiency with which projects are delivered and the results they achieve.

It is over 20 years since countries such as the UK and Australia began to use P3 as a regular method of public infrastructure procurement. Many hundreds of projects are now in a mature phase of operation and we can take stock of both the opportunities and challenges of this

form of procurement. When P3 projects are managed effectively, they can deliver significant cost and time savings during the construction phase, in addition to substantial savings over the lifecycle of the assets, which lower the long-term costs of service provision and promote more innovative solutions.

## Canada: a global exemplar of good practice

Since the onset of the global financial crisis, Canada has emerged as one of the world's most stable and productive markets and the model has been at the heart of long-term infrastructure plans introduced by successive Canadian governments. However, it is the provinces that early on assumed the leadership role in driving forward the Canadian P3 market.

The market has seen strong growth in terms of the number of new projects that have entered the market, more than doubling from nine in 2009 to 20 in 2013. This stability has been crucial in securing competitive contract prices and high quality bids, benefiting all players, and maintaining efficient capacity on both the demand and the supply side of the market. This capacity is now being used to expand the use of P3 into untapped provincial, municipal, and aboriginal markets and in new sectors.

Of the mature markets around the world, Canada is acknowledged to have one of the most efficient procurement processes. Overall, the median procurement time over the whole program period is approximately 18 months, and this has fallen to 16 months in recent years. As a consequence, bid costs in Canada are lower than in comparable markets.

Government procurers at the provincial level have ensured that project documents and key terms are consistent across all projects in an asset class. This has removed many barriers to financial investment in projects, ensuring that they can obtain the ratings required to enter the bond market for financing, and stimulating

healthy competition between different sources of debt – both bank and bond finance – as well as the possibility of hybrid transactions involving both sources.

Among the general public in Canada, there has been a growing public acceptance of a greater role for the private sector in the delivery of infrastructure services, with polls consistently showing support between 60-70%. The public is also increasingly aware of the possible benefits of the model, not just in terms of enhanced quality of public infrastructure and services, but also to drive Canadian employment and economic growth and create opportunities for local companies.

## Lessons to be learned

The benefits of the P3 program run wider than the investments they deliver: their role is to drive better performance in procurement, and they have been shown to do so even in contexts where implementation has been much less successful than in Canada. Emerging P3 markets, with large infrastructure gaps, have a historic opportunity to generate significant economic benefits by adopting a more comprehensive approach to their use of the model.

At the program level, a key determinant of success is the strength of the relationship between the public and private sectors. This is clear in Canada, in which the clarity of the pipeline, strong legal framework and the extent of trust between the public and private sector have helped to foster a stable, competitive and efficient market environment.

At the individual project level too, trust and partnership are fundamental to securing the risk-sharing and good, balanced, contractual relations that are at the heart of good project delivery. To generate this, it is essential that the contracting parties have access to clear, transparent and objective information about the level of performance under the contract. **P3**