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How P3s plug infrastructure gaps



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Construction of the Billy Bishop Tunnel in Toronto in October, 2013, a successful P3 infrastructure initiative.

Brett Gundlock/Bloomberg

Building a “top ten” global financial centre requires many things – a strong, stable financial system, a competitive business environment, a highly-skilled talent base and an enviable quality of life. Toronto has all of this and more. But there is one area that still needs more work – building and upgrading our infrastructure, from roads and transit lines to airline links and water pipes. This matters for a city region like ours because we are now competing with global financial centres around the world.

Fortunately, governments are trying to respond to the challenge in various ways. But the gap is huge and cash-strapped as they are, they cannot do it alone.

There is an answer. And it’s a solution with a track record of success here, and around the world. It’s a solution where Toronto’s financial sector and its partners in the infrastructure industry are building a global brand as experts in public-private infrastructure partnerships, or “P3s” for short.

Whether it’s the internationally recognized expertise of Infrastructure Ontario, the provincial government agency running P3 projects in health care and transportation; the global thought leadership of the Canadian Council for Public-Private Partnerships; or the growing international reputation of our major pension plans as savvy investors in infrastructure projects, we have an asset that we should leverage more for the benefit of not just Toronto, but for the country as well.

We don’t have to look far to see the benefits of P3 infrastructure initiatives – the “Canada Line” in British Columbia, the Regina Water/Wastewater Treatment Plant project, Toronto’s pedestrian tunnel at the Billy Bishop Island Airport, the Union-Pearson airport express, Hwy. 407 extensions or the Eglinton Crosstown Light Rapid Transit line – to name just a few that are underway.

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In fact, there are currently 220 P3 projects across Canada, with those in operation or those under construction with financial details released valued at more than \$70 billion. That means projects designed to help reduce commuting times for families, enhance economic competitiveness, encourage job creation, and strengthen trade corridors. These new and renewed state-of-the-art facilities are critical to the economic future and quality of life in these communities and will be for decades to come.

Consider these findings from an InterVISTAS study recently commissioned by the Canadian Council for Public-Private Partnerships. Between 2003-2012 P3s have created almost 300,000 direct jobs, contributed \$25.1 billion in direct GDP, led to \$7.5 billion in tax revenues for governments, and produced almost \$10 billion in savings, versus traditional procurement.

So successful P3 projects produce hard assets that benefit communities, produce jobs and tax revenue and save taxpayers' money. But that's not all.

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The expertise of our financial and infrastructure industries is being recognized world-wide. We have established a critical ecosystem of P3 expertise, headquartered here, that countries around the world are tapping for insights, investors and advice on how to structure their own P3 programs in order to replicate the positive outcomes Canada has achieved.

So what's the problem? Despite the success of such projects, despite their clear benefits to taxpayers and communities, despite our growing global reputation as infrastructure investors and builders, such projects can still generate political controversy. And such controversy can discourage governments from accessing the expertise they have at hand, for the betterment of their communities.

We need to stay focused on the advantages that can come from leveraging the private sector's expertise in delivering projects on-time and on-budget while still retaining public ownership. The private sector also shines in its ability to assume and manage risk better than government. And then there's the simple fact that no government has the financial resources to meet all of our infrastructure needs without such public-private partnerships.

There is no question that government and private sector partners need the right skills, expertise and knowledge before jumping into such projects. And it is also clear that not every infrastructure project makes sense as a P3. But let's take away the controversy and look at the facts. Let's set aside the rhetoric and look at our record.

We have major infrastructure needs in this region. If we don't meet them, it will undermine the global success we have enjoyed to date, it will chip away at our value proposition as a growing international financial centre. There is a solution at hand. One that not only generates much needed benefits at home, but also helps forge our global reputation as financial and infrastructure experts.

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